

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement

TeknoSA, adopted the principle of complying with the Corporate Governance Principles of Transparency, Equality, Responsibility and Accountability.

Our Company complies with all the principles; that are held obligatory and stipulated in the “Communiqué (Serial IV, n. 56) on “Determination and Implementation of the Corporate Governance Principles”.

The Company shares all required information with all of its investors and analysts in a timely, consistent and steady manner, and in order to ensure continuous communication with them, it organizes investor meetings, and conferences. Additionally, the Company strives to reach more investors via press releases and media sessions.

The Company has complied with and implemented the required principles pertaining to the disclosure of the resumes of Board of Directors nominees, public disclosure of independent member nominees, public disclosure of the remuneration policy, public disclosure of information regarding related party transactions, and the formation and structure of Committees.

On the other hand, full compliance hasn't been achieved yet due to some difficulties experienced during the implementation of certain principles, due to ongoing debates about compliance with certain principles on the international platform as well as in Turkey, and also because of the inapplicability of some principles due to the structure of TeknoSA and the market. The developments in this area are closely followed and compliance efforts continue.

In order to achieve full compliance, the developments in the legislation and relevant implementations will be taken into consideration, and necessary steps will be taken in the coming period as well.

SECTION I- SHAREHOLDERS

2. Shareholder Relations Department

The Company's Investor Relations Unit engaged in shareholder relations is managed under the coordination of Z. Korhan Bilek, Financial Director. The Unit can be accessed at yatirimciiliskileri@teknosa.com or at +90 (216) 468 36 36 or 444 55 99, or via fax number +90 (216) 478 53 47.

Investor Relations Unit is in charge of regularly informing the shareholders and prospective investors about the Company's activities, financial condition and strategies, however excluding confidential information and trade secrets, without causing any information inequality and it is also responsible for ensuring a two-way communication between the Company's management and the shareholders.

Investor Relations Unit is in charge of carrying out shareholder relations within the frame of Corporate Governance Principles. As part of its duties, the Unit held 188 meetings in 2013 with investors and analysts both abroad and in Turkey; replied all questions and e-mails from the shareholders.

The number of the “Disclosures of Material Matters” made by TeknoSA İç and Dış Ticaret A.Ş. between 1st of January 2013 and 31st of December 2013 was 14. CMB or BIST did not request additional written disclosure after Company's disclosures.

Ultimate attention is paid to make the disclosures within the legal period. On the other hand, Borsa İstanbul (BIST) made an announcement regarding the inclusion of TKNSA.E shares in BIST 100 index as of 1st of April 2013.

The Company isn't listed on any foreign stock exchanges.

3. Exercise of Shareholders' Rights to be Informed

In 2013, Shareholder Relations Unit responded to all questions and demands from the shareholders via phone calls, e-mails or face to face interviews. All information sought by the shareholders was announced on the website within required time limits.

In the Articles of Association of the Company, assignment of a Private Auditor was not regulated as a right. Within 2013, no request was received from the shareholders on this issue.

4. Information on General Meetings of Shareholders

As described in Corporate Governance Principle, No. 1.3.1, the invitation to the General Meeting of Shareholders was announced in a manner as set out by the legislation, and to reach as many shareholders as possible, using all communication means including electronic medium, and minimum three weeks before the meeting. The Company has no preferred stocks. Each Company share comprises one voting right, and there are no preferred voting rights.

In TeknoSA İç and Dış Tic. A.Ş. an Ordinary General Assembly Meeting was held on the 27th of March 2013 and the participation of shareholders representing 62.17% shares was ensured. Main agenda items of the aforesaid meeting were: Information about

2012 Financial reports, Acquittance of the members of the Board of Directors and Audit Committee, Amendment to the Articles of Association, Profit Distribution Policy, Disclosure Policy, determining the remuneration and rights of the members of the Board of Directors and presentation of the internal directive on the Company General Assembly's Working Principles and Procedures prepared by the Board of Directors to the approval of the General Assembly.

Shareholders didn't exercise their right to ask questions during the General Meeting, and no suggestions were proposed outside the agenda.

General Assembly meeting minutes of the Company can be found on the Company website at URL "www.teknosa.com" and "Public Disclosure Platform".

Information is given about the donations and charities made within the period in the General Assembly with a separate agenda item.

The shareholders who have control over the management, the members of the Board of Directors, managers with administrative responsibilities, and their spouses, and their relatives by blood and by marriage up to the second degree;

- did not make any important transactions which could cause a conflict of interest with the partnership or its subsidiaries and/or,
- on their behalf or someone else's behalf, did not make any commercial transactions intruding the business field of the partnership or its subsidiaries, or,
- did not join another partnership, dealing with the same type of commercial businesses, as a partner with unlimited liability ("unlimited partner").

The persons, except the ones mentioned above, who have possibility in reaching the Company information, on their behalf, did not make any transactions that were within the scope of the business fields of the company.

Activity Report, including also the audited 2012 figures was presented to the analysis of the shareholders at the Company Headquarters at least 15 days prior to the General Assembly meeting date.

Decisions described as important in the Turkish Commercial Code are presented to the shareholders for approval at the General Meeting. Once legal compliance to Corporate Governance Principles is achieved, all important decisions that take place in changed laws, will also be presented to the shareholders for approval at the General Meeting.

5. Voting Rights and Minority Rights

There are no preferred voting rights in the Company's Articles of Association.

TeknoSA respects the exercise of minority rights, pursuant to Turkish Commercial Code and CMB regulations, and the Company did not receive any complaints or negative criticisms regarding this matter in 2013.

6. Dividend Right

Profit Distribution Policy which was approved in the General Assembly Meeting of the Company held on the 27th of March 2013, specifies that minimum 20% of the distributable profit calculated in accordance with the Capital Markets Legislation is distributed to the partners as dividend in cash or in the form of scrip issue.

Board of Directors reviews this policy annually in case there are negative national and global economic conditions and according to the conditions of the projects and the funds in the agenda. Company aims to ensure income to the parties above the risk-free rate of return.

Due to the fact that the 2012 results of the Company do not support the profit distribution as a consequence of the company acquisition in 2011, no profit distribution was made.

It was decided with unanimity to submit the issue of; distributing the total amount of TL 44,217,800.00 dividends at a ratio of 40.1980% (gross) and 34.1683% (net) in cash from 2013 profit as of 31st of March 2014 to the shareholders - according to their legal positions - who represent TL 110,000,000 capital, to the approval of the Ordinary General Assembly which will be held on the 28th of March 2014.

7. Transfer of Shares

The Company's Articles of Association does not contain any provisions that restrict the transfer of shares.

SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

The Company implements a Disclosure Policy as described in CMB's Corporate Governance Principles. As required by this Disclosure Policy, examined 3-months and 9-months and partially audited consolidated financial results for the 6-months, and fully audited consolidated financial results for the 12-month period are announced to the public on KAP (Public Disclosure Platform), on the Company's website, and/or via the media.

The public disclosure of the Reports prepared in compliance with the formats stipulated by the Turkish Accounting Standards/Turkish Financial Reporting Standards (“TMS/TFRS”) pursuant to the Turkish Code of Commerce, Articles of Association of the Company, other relevant legislations and the Capital Market Board’s Communiqué II.14.1 on the principles of “Financial Reporting in the Capital Markets” was made within the period stipulated by the CMB. In accordance with the Public Disclosure Policy, TeknoSA İç and Dış Tic. A.Ş. aims to provide all the stakeholders with the most effective, direct and most easily accessible information.

TeknoSA management, with the aim of being in transparent and close communication with its shareholders and stakeholders, effectively uses the analyst meetings, press conferences, and investor relations web page including activity reports created for the stakeholders.

The main objective is that; while increasing the value of TeknoSA’s tangible and intangible assets for the existing shareholders and stakeholders, to make its shares attractive investment instrument for the potential investors.

The Chairman of the Board of Directors and the General Manager are responsible for conducting the Disclosure Policy. Finance Director is responsible for fulfilling the obligation of the Company’s “Disclosure of Material Matter”.

9. Company Website and Its Contents

The Company’s corporate website address is www.teknosa.com, and it is currently being revised in line with CMB’s Corporate Governance Principles, Section II, Article 1.11.5.

Due to the requirements of the Disclosure Policy, the below information will be available on the Company’s website in both Turkish and English:

- ▶ Company Profile (Vision, Mission, History, Shareholder Structure, Executive Management, etc.)
- ▶ Executive Management (Board of Directors, Audit Board, Committees etc.)
- ▶ Declaration of Compliance with Corporate Governance Principles
- ▶ Public Disclosures
- ▶ Policies
- ▶ Stock Performance
- ▶ Annual Reports
- ▶ Financial Statements
- ▶ Contact Information

10. Annual Report

The annual report is prepared in accordance with CMB Communiqué, Serial: XI., No. 29, as well as with CMB’s Corporate Governance Principles. After it is presented to the Board of Directors for approval, the report and the financial statements are announced to the public. The annual report is also accessible on TeknoSA’s website, www.teknosa.com.

SECTION III-STAKEHOLDERS

11. Announcements to Stakeholders

Within the scope of the Disclosure Policy, the Company openly shares all information, excluding trade secrets, with stakeholders via public announcements, media, meetings, and etc.

Additionally, company employees are informed via e-mails, training programs, seminars, and meetings which cover their fields of expertise or general areas of interest. There is also a portal available for the employees, and they can access any information or documents on this portal.

In order to protect the rights of stakeholders, the Company embraces ethical principles, and has established an ethics committee. Stakeholders can reach the ethics committee at etik@sabanci.com, and etik@teknoSA.com e-mail addresses, or at +90 (212) 385 85 85. The Audit Committee and/or the Corporate Governance Principles Committee are informed if and when required.

12. Stakeholder Participation in Management

In order to follow customers' and employees' demands and suggestions, Customer Feedback System and Employee Feedback System are effectively utilized.

Employees' participation in management is ensured by organizing regular company meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees can give their feedback to the management and to their colleagues through the 3600 feedback mechanism. The results are reviewed at various management meetings, and action plans are made in order to realize the necessary changes. With these practices, employees can participate in and contribute to achieving a more effective management at the Company.

Communication channels are always kept open for other stakeholders as well.

13. Human Resources Policy

The goal of the human resources management at TeknoSA is to develop and implement human resources strategies that create value, and help achieve the Company's vision and business goals.

The human resources strategy at TeknoSA is to implement a world class human resources management in all areas of activity, and make TeknoSA an exemplary company where everyone wants to or are proud to work at.

In order to realize this strategy, the Human Resources Department of the Company strives to create a management team that

- ▶ acts in a very selective manner in recruitment and promotion decisions,
- ▶ motivates employees towards exciting goals,
- ▶ manages employees according to high performance standards,
- ▶ holds the management and the employees responsible for business results,
- ▶ gives the employees the opportunity to realize their potentials and use their talents,
- ▶ rewards superior performance.

As a subsidiary of Sabancı Holding, TeknoSA aims to become a company that is

- ▶ Reliable,
- ▶ Responsive to others,
- ▶ Committed to ethical values,
- ▶ Open to change,
- ▶ Market oriented,
- ▶ Capable of long-term thinking,
- ▶ Innovative,
- ▶ a preferred workplace for individuals who are open to collaboration.

As part of its Human Resources policy, the Company embraces the principle of equal opportunity for persons with equal qualifications. Thus, the Company treats all employees fairly, and doesn't discriminate them due to their religion, language, race or gender, and takes all necessary measures to protect employees against bad treatment.

TeknoSA aims to become an exemplary company where a world class human resources management policy is implemented, and where everyone wants to or are proud to work at. At TeknoSA, Human Resources Policies define the essential practices and priorities pertaining to human resources management.

Through its Human Resources policies, the Company strives to add qualified employees to its workforce, to invest in its employees by helping them further develop themselves and realize their potentials, to offer continuous training, to further improve and strengthen the overall organization, to implement compensation and rewards programs that increase employee motivation and loyalty, and thus to become a distinguished company.

Employees are made aware of job descriptions and distributions, as well as performance and rewarding criteria. The Company considers efficiency as an important factor in determining employee compensation and benefits.

Pursuant to the Workplace Safety and Health Law, the Company plans to appoint an employee representative who will participate in and follow workplace safety and health related efforts, demand that measures are taken, offer suggestions, and will be authorized to represent employees in all these matters.

14. Ethical Rules and Social Responsibility

The Company has already established rules of business ethics, and started to implement them. The employees are informed about these rules through the company portal, booklets which are distributed to all employees, and training programs. Additionally, all employees update their knowledge about the rules of business ethics through an e-learning program at the end of each year, and fill out a “Business

Ethics Compliance” form to declare their commitment to business ethics.

Focusing on the concepts of “sustainability” and “creating social value”, the Company carries out social responsibility projects mainly in the areas of education, culture & art; conducts social responsibility projects such as; Technology trainings, wrapping paper and gift cards projects carried out with Darüşşafaka Association, protecting unique works of art, national team sponsorship etc.

Adhering to its responsibilities as the leader of its sector, TeknoSA acts as a pioneer by committing itself to educational activities in order to raise young people’s consciousness about technology and the environment. Accordingly, TeknoSA sets an example in the sector with its environmental practices such electronic waste collection, introduction of eco-friendly bags, and energy efficiency efforts.

SECTION IV-BOARD OF DIRECTORS

15. The Structure and Formation of the Board of Directors

The Company is managed and represented by a Board of Directors comprising a minimum of six members who are elected at the General Meeting of Shareholders, pursuant to the provisions set forth by the Turkish Commercial Code, and Capital Markets Law.

As described in the Corporate Governance Principles, majority of the Board Members are non-executive members.

Two Board Members are independent members, and Board Members are elected at the General Meeting of Shareholders in accordance with Corporate Governance Principles.

Term of office of Board Members may not exceed three years, after which they can be re-elected. In the event that a Board Member position becomes available, the Board elects a new member to fill the position and presents the elected member for approval at the next General Meeting. The newly elected member completes the term of his predecessor.

Executive, non-executive, and independent members of the Company's Board of Directors are listed below, and their resumes are included in the annual report:

On the basis of the General Meeting's resolution, pursuant to the Articles 395 and 396 of the Turkish Commercial Code, Board Members are authorized to perform transactions.

16. Operating Principles of the Board of Directors

The Board of Directors convenes as frequently as required to efficiently fulfill its duties. The Board operates

in a transparent, accountable, fair and responsible manner, and while doing so it always looks out for TeknoSA's long-term interests.

The Company's Board of Directors convened for 4 meetings till 31.12.2013. The Chairman of the Board determines the agenda of the Board meetings, after conferring with the Board Members and the General Manager. In order to allow the Board Members to make the necessary reviews and preparations, they are informed about the items and the content of the meeting agenda in advance, as required legally.

At the Board meetings each member has 1 vote, and unanimous consent is sought while resolving matters, and the Board always complies with Corporate Governance Principles. All Board Members, excluding those who were excused, attended all the Board meetings. Since Board Members didn't have any questions regarding these matters, they aren't

NAME/ SURNAME	POSITION	TERM OF EMPLOYMENT IN THE COMPANY	DUTIES OUTSIDE THE COMPANY
Haluk Dinçer	Chairman of the Board of Directors	10 years	President of the Retail and Insurance Group at Sabancı Holding
Temel Cüneyt Evirgen	Assistant of Chairman of the Board of Directors	9 years	Sabancı University Faculty Member
Muhterem Kaan Terzioğlu	Independent Member of the Board of Directors	Since April 2012 General Assembly	Consultant
Oğuz Nuri Babüroğlu	Independent Member of the Board of Directors	Since April 2012 General Assembly	Sabancı University Faculty Member
Neriman Ülsever	Member of the Board of Directors	Since April 2012 General Assembly	Human Resources Group Director at Sabancı University
Barış Oran	Member of the Board of Directors	Since April 2012 General Assembly	Head of Planning, Reporting and Finance Department at Sabancı Holding

recorded in the minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2013.

The qualifications of the Board Members match the criteria described in CMB's Corporate Governance Principles. The minimum qualifications required to be a Board Member aren't described in the Company's Articles of Association.

However, management rights and representation authority of the Company's Board of Directors are described in the Articles of Association.

In 2013, Board Members neither engaged in any business with the Company nor attempted to go into any business that would fall within the Company's scope of operations.

17. The Number, Structure, and the Independence of the Committees Formed by the Board of Directors

The Board of Directors forms several committees in order to effectively fulfill its duties and responsibilities. The Committees reach certain decisions after conducting some studies. Then, they present these in the form of proposals to the Board's consideration, and the Board makes the final decision. The Committees are as follows;

Corporate Governance Committee

The duty of this Committee is to make suggestions and recommendations to the Board with regard to establishing the Corporate Governance Principles in line with CMB's or other internationally recognized Corporate Governance Principles.

Corporate Governance Committee, including the President, is composed of four Members, and one Reporter appointed by the TeknoSA Board of Directors in line with the CMB's "Corporate Governance Principles". The President of the Corporate Governance Committee is appointed from among the independent members by the TeknoSA Board of Directors.

Should the position of President become vacant, the Chairman of the Board assigns one of the committee members as temporary President until the new President is appointed at the next Board meeting. Corporate Governance Committee is run by Muhterem Kaan Terzioğlu and Neriman Ülsever, under the presidency of Oğuz Nuri Babüroğlu.

Corporate Governance Committee was established with the purpose of advising Board of Directors to fulfill its duties and responsibilities in a healthy manner. Corporate Governance aims to maintain the continuity of the management process based on ethical values of TeknoSA İç and Dış Tic. A.Ş., having internal and external responsibilities, risk awareness, and that is transparent and responsible in its decisions, that oversees the benefits of the shareholders and that has sustainable success target.

NAME/ SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Oğuz Nuri Babüroğlu	President of the Corporate Governance Committee	Independent Member of the Board of Directors
Muhterem Kaan Terzioğlu	Member of the Corporate Governance Committee	Independent Member of the Board of Directors
Neriman Ülsever	Member of the Corporate Governance Committee	Member of the Board of Directors

Early Risk Detection Committee

The Early Risk Detection Committee (“Committee”) was established to be responsible and authorized referring to the TeknoSA İç and Dış Ticaret A.Ş. Board of Directors’ resolution on the 24th of October 2013 and in accordance with the Article 378 of The Turkish Code of Commerce n.6102 and the provisions of the Capital Markets Board’s Communiqué on the Corporate Governance Principles.

The Committee performs activities with the aim of early detecting any risks such as strategic, operational, financial, compliance etc. that may jeopardize the existence, development and continuity of TeknoSA İç and Dış Ticaret A.Ş., of taking necessary measures together with finding solutions and of managing the risk.

The Committee members are elected by the Company’s Board of Directors and are disclosed to the public. The President of the Committee is appointed from among the independent members by the Board of Directors. In the Committee; except the President, there are maximum two Members elected by the Company’s Board of Directors. The Committee members are preferably elected from among the non-executive Members of the Board of Directors.

Corporate Governance Committee meetings are held at least six times a year, at a location deemed appropriate by the Committee. The annual meeting calendar is determined by the President of the Committee and announced to all committee members at the beginning of each year.

The term of office of the Committee members are in parallel to the term of office of the Members of the Company’s Board of Directors. The Committee is re-established upon the election of the Members of the Board of Directors.

NAME/ SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Oğuz Nuri Babüroğlu	President of the Early Risk Detection Committee	Independent Member of the Board of Directors
Muhterem Kaan Terzioğlu	Member of the Early Risk Detection Committee	Independent Member of the Board of Directors
Neriman Ülsever	Member of the Early Risk Detection Committee	Member of the Board of Directors

Audit Committee

Our Audit Committee performs the tasks granted by the legal and internal regulations.

The duty of the Audit Committee is to oversee the Company’s accounting system, financial reporting, announcement of financial statements, progress and effectiveness of independent auditing and internal control, on behalf of the Company’s Board of Directors. The Audit Committee reports its activities, evaluations and suggestions to the Board of Directors in writing.