

Corporate Governance and Sustainability Principles Compliance Report

SECTION I - CORPORATE GOVERNANCE

1. Corporate Governance Approach

Teknosa commits to comply with the four key principles of Transparency, Fairness, Responsibility, and Accountability of Corporate Governance and recognizes that good corporate governance practices are essential for sustainable growth in today's economies.

Traded on BIST Main, Teknosa shapes its management approach based on these principles and takes best practices in the world as a reference while developing its corporate governance practices every year.

2. Corporate Governance Principles Compliance Status

Teknosa is in full compliance with all of the 24 mandatory principles for publicly traded companies as set out in the Corporate Governance Communiqué no. 17.1 (Communiqué) by the Capital Markets Board, which is responsible for regulating and supervising the corporate governance practices in Turkey. Teknosa has observed the interests of all the stakeholders, shareholders in particular, and continued its efforts to further its compliance with such mandatory principles in 2020.

Meanwhile, Teknosa has reached full compliance with 56 of 73 non-mandatory principles of the Communiqué, and partial compliance with eight of those principles, whereas compliance was not achieved with four non-mandatory principles. Operations falling under the remaining five principles have not been performed in 2020, and therefore compliance has not been evaluated for these principles that have been determined to be nonapplicable.

2.1. Principles with which the Company has reached partial compliance are summarized below together with the reasons behind the lack of full compliance.

1.3.10. *Policy on donations and aids shall be established and submitted to the approval of the general assembly. At the general assembly meeting, the information shall be provided under a separate item of the agenda on the donations and aids made throughout the period, together with their amount, beneficiaries, and policy changes, pursuant to the policy approved by the general assembly.*

Paying utmost attention to its social responsibilities, Teknosa makes all donations and aids in compliance with the Donation and Aid Policy approved by the General Assembly. Shareholders were updated on the amount of donations and aids made throughout the year under a separate agenda item; however, no explanation was provided with regards to the beneficiaries of these donations and aids.

2.1.4. *Content and information on the Company's website are available in optional foreign languages with the same scope as the Turkish website.*

The efforts continue to provide the English versions of the information specified in Turkish on the website.

3.1.2. *An effective and prompt compensation policy is in place in cases where stakeholders' rights protected by laws and contracts are violated. The Company provides guidance and convenience to stakeholders on the applicable laws and mechanisms available to them such as compensation. In addition, it establishes a compensation policy for employees and discloses the policy via the corporate website.*

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It is a priority for Teknosa to protect all stakeholders' rights at all times and embrace a business model based on creating value together. Currently, no written compensation policy is in place for employees; however, the Company has faced no legal proceedings in this matter up to date.

3.2.1. Models to encourage employees' and stakeholders' participation in management shall be developed in a manner to not interfere with the Company's operations. Such models adopted by the Company shall be specified in the Company's internal regulations and Articles of Association.

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 provide their feedback to the management and to their colleagues through the 360-degree feedback mechanism. The results are reviewed at various management meetings, and action plans are devised in order to implement the necessary changes. However, the aforementioned matters are not governed by Teknosa's Articles of Association and/or internal regulations.

4.4.7. Members of the Board of Directors shall allocate sufficient time for the businesses of the Company. Where a board member holds an executive position, acts as a board member at another company, or provides consulting services for another company, it is essential for such board member to avoid any conflicts of interest and any interruption to his/her tasks at Teknosa. Within this scope, certain rules apply to or restrict the board member's assumption of roles and duties outside the company. Roles a board member assumes outside the company, the grounds for such role, and whether such role is assumed within or outside the group are presented to the information of the shareholders under the agenda item for elections during the general assembly meeting.

Utmost attention is paid to board members to dedicate sufficient time for the Company's works and avoid any transaction that may lead to a conflict of interest in their activities outside the Company. However, board members' roles outside Teknosa are not governed or restricted by a written instrument. Accordingly, resumes of board members are provided to shareholders in annual reports.

4.5.5. It is important for a board member not to take part in more than one committee.

Utmost attention is paid to the experience and expertise of independent members in the composition of committees. Due to the limited number of independent board members and obligations stipulated in the capital market regulations, however, members may be assigned to more than one committee.

4.6.1. The Board of Directors is responsible for the achievement of the Company's operational and financial performance goals as disclosed to the public. Evaluations as to whether the Company has reached publicly-known operational and financial performance goals, and if it has not, the reasons behind it, are provided in the annual report. The Board carries out the performance assessment with necessary self-criticism both at the level of the Board and executives with administrative responsibilities. Board members and executives with administrative responsibilities are either rewarded or released based on such assessment.

The Board has carried out Teknosa's performance assessment but not explained this matter in the annual report.

4.6.5. Wages and other benefits granted to board members and executives with administrative responsibilities are disclosed to the public in the annual report. Disclosure on the basis of each such person is essential.

Wages for the board members are determined by the General Assembly and therefore disclosed on the basis of each board member. Wages paid to senior executives are disclosed collectively, in the footnotes of our financial statements. Performance criteria were taken into account in the remuneration for executives which complies with remuneration policies. Such information is not disclosed on the basis of persons as it is confidential information.

2.2. Principles which the Company has not complied with are summarized below with the grounds for such non-compliance.

1.3.11. General Assembly meetings may be held publicly, including stakeholders and the press with no right to ask for the floor, and a provision may be added to the Articles of Association on this matter.

Due to the concerns on the health and safety of shareholders in relation to the Covid-19 pandemic, and for the purposes of ensuring effective time management, the General Assembly meeting was not held publicly.

1.5.2. Minority rights may be granted to those who hold less than one-twentieth of the capital pursuant to the Articles of Association. The scope of minority rights may be expanded subject to the Articles of Association.

Minority rights are determined as per the provisions of the applicable legislation, and there is no specific provision on the expansion of minority rights in the Articles of Association.

2.1.3. Financial statements that require public disclosure as per the capital market legislation, except material events and footnotes, are disclosed in Turkish and English simultaneously on KAP (Public Disclosure Platform). English disclosures are prepared in a summary format accurately, thoroughly, directly, legibly, sufficiently, and consistently with the Turkish disclosure so as to assist the target group in their decisions.

Although our material event disclosures are in Turkish, investor presentations and end-of-year annual reports are issued in English as well and made available on the website to inform our existing/potential foreign investors on the financial position and performance of the Company.

4.3.9. The Company set a minimum target of 25% for the ratio of female members on the Board and established a policy to reach this target. The composition of the Board is reviewed annually, and the nomination process is run in accordance with this policy.

Although there is no target ratio in this matter, due care is taken to have female members on the Board.

2.3. The following principles are determined to be non-applicable as no transaction falling under such scope was performed in 2020:

1.3.7. Persons who have the right to access shareholding information with privilege shall inform the Board of Directors for the inclusion of the transactions they performed in their own name coinciding with the Company's operating area into the agenda of the General Assembly.

1.4.3. The Company has not exercised the voting rights at the General Assembly of a corporation with which it has a subsidiary relation that involves controlling rights.

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4.4.3. *Opinions of those board members who did not attend the meeting but conveyed their opinion to the Board in writing are presented to other board members.*

4.5.7. *Committees get the opinion of independent experts in matters they deem necessary with regard to their activities. The fees of the consulting services required by the Committees are covered by the Company. However, information on the persons/entities providing such services and/or whether such persons/entities have a relation with the company is explained in the annual report.*

4.6.4. *The company is not entitled in any way to lend money, to extend any credits, to prolong the terms of existing loans and credits, to improve the conditions thereof, and to extend credit under the name of any personal credit means through a third person or to provide warranties to a member of the board or the executives with administrative responsibility. Only those institutions which offer personal credits to individuals may be entitled to offer loans or other services under the terms applied to every individual beneficiary.*

Teknosa's compliance status with the Corporate Governance Principles in 2020 is summarized in the table below:

Status	Full Compliance	Partial Compliance	Non-Compliance	Non-applicable
Mandatory	24	-	-	-
Voluntary	56	8	4	5
Total	80	8	4	5

In 2020, full compliance has not been reached with such voluntary principles due to the difficulties in their implementation, ongoing discussions in Turkey and on international platforms regarding their implementation, the contradiction between the Company's interests, and the implementation of

such principles as per the practices of the Company and the market, and the negative developments caused by the Covid-19 pandemic. Thanks to the value and importance Teknosa attributes to corporate governance, developments on this matter are monitored closely, and efforts towards full compliance with these principles are ongoing at full speed.

The 2020 Corporate Governance Compliance Report (YRF) and Corporate Governance Information Form (KYBF), prepared pursuant to the Capital Markets Board's Decision no. 2/49 and dated January 10, 2019 and approved by our Company's Board of Directors are publicly accessible at <https://www.kap.org.tr/tr/Bildirim/910217> and <https://www.kap.org.tr/tr/Bildirim/910218>.

3. Investor Relations Activities

In an attempt to assist investors and analysts in their decision-making processes as per applicable laws, Teknosa paid ultimate attention in 2020 to inform them as necessary, transparently, promptly, accurately, thoroughly, legibly, directly, sufficiently, regularly, and concurrently with all market participants, on the developments that might affect their investment decisions.

For this purpose, the Company regularly updated the Public Disclosure Platform (KAP) and the Investor Relations page on its official website www.teknosa.com. Continuous and best communication practices are pursued with investors and analysts. In 2020, the Company met with 10 existing/potential investors/analysts.

4. Monitoring Amendments to Laws and Legal Procedures

No amendment that could impact Teknosa's operations substantially was introduced to applicable laws in 2020. However, potential effects of the amendments to the Capital Markets Law, Turkish Commercial Code, and tax regulations on Teknosa as a whole were analyzed in detail.

Teknosa monitored legislative developments that pertained to it closely and took necessary action promptly in 2020, just as it did in previous years.

Last but not least, no lawsuit was filed against the Company that may impact the financial position or operations of Teknosa in 2020. In addition, no administrative or legal sanction on the grounds of practices contradictory with the provisions of applicable regulations was imposed against the legal entity of Teknosa, its Board Members, and the Senior Management.

SECTION II - BOARD OF DIRECTORS

1. Structure and Composition of the Board of Directors

The procedures and principles concerning the company's Board of Directors' structure, duties, management rights, and representation authorities, etc. are decided upon in accordance with the provisions stipulated in the company's Articles of Association.

Teknosa is governed and represented by a Board of Directors that consists of at least six members elected by the General Assembly within the framework of the provisions of the Turkish Commercial Code and the Capital Markets Legislation. There are six members in the Teknosa Board of Directors in conformity with Article No. 4.3.1 of the Communiqué, and two independent members in conformity with the exception stipulated in the first paragraph of the 6th Article of the Communiqué.

Minimum qualifications of the Members of the Board of Directors are not specified in the Articles of Association. However, the required qualifications of the Members of the Company's Board of Directors are in line with the relevant articles of Corporate Governance Principles. Two members of the Board of Directors are independent members who are determined according to the Capital Markets Board's Corporate Governance Principles and regulations on Corporate Governance. Independent board members' independence statements

have been received prior to the appointment and these statements remain in full force and effect. Within the related activity period, there are no issues that terminate the independence.

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 submits the elected member to the approval at the next General Meeting. The newly elected member completes the term of his/her predecessor.

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

2. 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 considers the company's long-term interests.

Every year, the members of the Board of Directors elect a chairman and a vice-chairman who will be the acting chairman in the absence of the chairman for presiding the meetings. The Chairman of the Board of Directors determines the agenda of the Board of Directors' meetings by getting the opinions of the other members and the general manager. The agenda items of the Board of Directors' meetings are discussed explicitly and in every aspect. The Chairman of the Board shows the best effort to ensure the effective participation of the non-executive Board members in the Board meetings.

Meeting dates and agenda are determined by the chairman or vice-chairman.

The Board of Directors must convene at least four (4) times a year.

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Unless one of the members requests a meeting that will be held physically, the decisions of the Board of Directors can be taken by means of getting the written approvals of the other members for another member's proposal regarding a certain issue.

The Board of Directors of the Company held four meetings between January 1 and December 31, 2020.

At the Board meetings, each member has one vote, and unanimous consent is sought while resolving matters, and the Board always complies with Corporate Governance Principles. Attendance in person of the members without an excuse at the meetings was ensured. In 2020, no dissenting opinion was expressed on the decisions passed by the Board Members and no explanation thereof was affixed to the minutes of the meeting. Since Board Members did not have any questions and requested no additional information, these were not inserted in the minutes of the meeting.

In 2020, 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.

3. Number, Structure, and Independence of the Committees Formed Under the Board

According to the Company's Articles of Association, the Board of Directors establishes a sufficient number of Committees ("Committee") to fulfill the required tasks and responsibilities properly.

The responsibilities of the "Nomination Committee" and "Remuneration Committee" as per article 4.5.1 of the Communiqué have been assumed by the "Corporate Governance Committee." Although attention was paid to the recommendation on "not taking part in more than one committee for a board member" under Article 4.5.5 of the Communiqué, a Board Member may serve multiple committees as a member due to the expertise required for such committees.

Corporate Governance Committee

The Corporate Governance Committee aims to ensure the continuity of the management process that pursues transparency and accountability in its decisions, observes stakeholders' interests, and strives for sustainable achievements on the basis of the Company's ethical values, internal and external responsibilities, and risk awareness.

The Committee makes proposals and recommendations for the Board of Directors in line with the CMB's Corporate Governance Principles and other internationally-recognized corporate governance principles.

As per the Corporate Governance Principles, the Corporate Governance Committee consists of up to three members, including a Chairperson appointed by the Board, and two rapporteurs. The Chairperson is appointed from among the independent members of the Board of Directors.

Should the position of Chairperson of the Committee become vacant for any reason, the Chairman of the Board assigns one of the Committee Members as a temporary Chair until the new Chair is appointed at the next Board meeting.

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles in the Company, and in the case of failure to implement such principles, it makes suggestions to the Board of Directors for the improvement thereof. The Committee also oversees the activities of the Investor Relations Department. It evaluates the performance and principles of remuneration for Board Members and Senior Executives and examines and presents to the Board the nominations of independent members, including the nominees proposed by the management and shareholders, and their qualifications for independence. In accordance with the legislation, the Independent Members of the Board of Directors present their independence statements in writing to the Corporate Governance Committee at the time they are nominated.

The Committee, which shall convene at least four times a year pursuant to the bylaws, convened four times in 2020.

The members of the Corporate Governance Committee determined in accordance with the decision of the Board of Directors of the company are as follows:

Name and Surname	Position	The Nature of Membership/Duty at the Board
Mevlüt Aydemir	Committee Chair	Independent Board Member
Mehmet Kahya	Committee Member	Independent Board Member
Ümit Kocagil	Committee Member	Assistant General Manager - Finance

Early Detection of Risk Committee

Early Detection of Risk Committee was established in accordance with Article 378 of the Turkish Commercial Code (Law no. 6102) and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

The Committee performs activities for the purposes of early detection of any risk such as strategic, operational, financial, compliance, etc. that may jeopardize the existence, development, and continuity of the company, taking necessary measures, implementing solutions, and managing the risk.

The Committee members are elected by the Company's Board of Directors and are disclosed to the public. The Chair of the Committee is appointed from among the independent members by the Board of Directors. In addition to the Chairperson, there is a maximum of one Member elected by the Board in the Committee. The Committee members are preferably elected from among the non-executive Members of the Board of Directors.

Committee meetings are held at least six times a year, at a location deemed appropriate by the Chair. The annual meeting schedule is determined by the Chair of the Committee and communicated to all committee members at the beginning of each year.

The term of office of the Committee members is 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.

The Early Detection of Risk Committee convened 6 times in 2020.

Name and Surname	Position	The Nature of Membership/Duty at the Board
Mehmet Kahya	Committee Chair	Independent Board Member
Mevlüt Aydemir	Committee Member	Independent Board Member

Audit Committee

The duty of the Audit Committee is to oversee the Company's accounting system, financial reporting, disclosure of financial statements, and the functioning and effectiveness of the independent auditing and internal control system on behalf of the Company's Board of Directors. The Audit Committee reports its activities, evaluations, and suggestions with respect to its duties and area of responsibility to the Board of Directors in writing.

The Chair and the Members of the Audit Committee are appointed by the Board of Directors from among the Independent Members.

The Audit Committee held 4 meetings in 2020 and the main agenda items were the review of the independent audit report and examination of the presentations of the Internal Audit Department.

The members of the Audit Committee determined in accordance with the decision of the Board of Directors of the company are as follows:

Name and Surname	Position	The Nature of Membership/Duty at the Board
Mehmet Kahya	Committee Chair	Independent Board Member
Mevlüt Aydemir	Committee Member	Independent Board Member

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4. Risk Management and Internal Control Mechanism

Teknosa embraces the notion that each risk brings along an opportunity, and recognizes that “sustainable growth” can be achieved by effectively identifying, measuring, and managing risks. The Company places great importance on risk management in order to “create value for its stakeholders,” which is a crucial part of its mission.

At Teknosa, the risk is seen as a concept that incorporates opportunities as well as threats and corporate risk management is handled as a continuous and systematic process to manage these risks most efficiently. Efforts are undertaken towards the Company-wide promotion and adoption of the risk culture, while it is ensured that the right activity is carried out taking the right amount of risk.

The risk exposure of the Company is tracked through the Key Risk Indicators (KRI) in place. These indicators are continuously monitored and periodically reported. The Company takes necessary action to manage the risks indicated by the Key Risk Indicators.

The Risk Management Policy at Teknosa serves to define, assess, prioritize, monitor, and report the potential risks involved in Teknosa's operations, and also governs the procedures and principles which will be adhered to during the process of defining and implementing the necessary measures and strategies against such risks. Risk management is conducted by the Early Detection of Risk Committee (“Committee”) on behalf of the Board of Directors.

In 2020, Teknosa continued to create value for shareholders and delivered a sustainable growth performance owing to the importance it attributes to risk management.

Similarly, the Company has an Internal Control Mechanism in place. Upon the formation of the Audit Committee, this mechanism effectively carries out the duties assigned by the Board of Directors in compliance with the existing bylaws of the Audit Committee.

5. The Company's Strategic Goals

Having determined the vision and the mission of the company, the Board of Directors incorporated them in writing in the Annual Report and announced to the public on the company's website, www.teknosa.com, and the Company's long-term strategies are built on these principles.

The Board of Directors, together with the CEO and Assistant General Managers, sets three-year strategic goals which are updated each year. Whether the Company achieves its targets or not is monitored via monthly prepared manager reports. Year-end performance assessments are based on whether the Company achieves its targets or not.

6. Remuneration for the Board of Directors

The terms and conditions of any right, fee, and benefit granted to the company's Board Members are laid down in detail in the Articles of Association. The attendance fees paid to the Chairman and the Board Members are determined at the General Assembly Meeting. The payments made to the senior executives are disclosed to the public in the footnotes of our financial statements.

In 2020, the Company did not lend any money or give out any loans to Board Members; did not extend the due date or improve the terms and conditions of existing debts or loans; did not grant any individual loans via third persons, or did not offer surety guarantees.

SECTION III - SUSTAINABILITY

1. Sustainability Approach

Teknosa places the utmost importance on sustainability and assesses the potential impact of its operations on sustainability. After Sabancı Holding re-set its priorities in a number of areas including the environment and society in 2020, Teknosa followed suit and established its sustainability targets accordingly.

2. Sustainability Principles Compliance Status

Teknosa targets 100% compliance with the Sustainability Principles Compliance Framework established as per the amendment dated October 2, 2020, to the Capital Markets Board's Corporate Governance Communique. Therefore, the Company plans to continue efforts towards furthering its compliance with such mandatory principles, observing the interests of all stakeholders, first and foremost shareholders, in 2021. A world-class sustainability compliance standard has been adopted in Turkey thanks to the Sustainability Principles Compliance Framework established by the Capital Markets Board for the first time in 2020.

Teknosa's compliance status with the Sustainability Principles in 2020 is summarized in the table below:

Type	Full Compliance	Partial Compliance	Non-Compliance	Non-applicable
General	4	4	3	1
Environment	6	16	1	3
Social	6	7	2	1
Governance	5	1	-	-
Total	21	28	6	5

The Sustainability Principles Compliance Report, which demonstrates the Company's compliance with the CMB's Sustainability Principles Compliance Framework, is available online at <https://yatirimci.teknosa.com/surdurebilirlik>.