

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-Stars, 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 Principles attached to the Corporate Governance Communiqué no. 17.1 (Communiqué) of 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 2021. 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 2021, and therefore compliance has not been evaluated for these principles that have been determined to be nonapplicable.

2.1. The partially complied principles are summarized below with the reasons for not achieving 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. Information regarding the amounts of all donations and contributions made throughout the year were provided to the shareholders through a separate item at the General Assembly meeting, but no explanations were made regarding the beneficiaries of these donations and contributions.

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. Effective and rapid compensation should be offered in case the rights of the stakeholders that are protected under the relevant legislation and contracts are violated. The corporation shall make it convenient to provide the utilization of the mechanisms such as compensation provided for the stakeholders as per

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the legislation. In addition, it establishes a compensation policy for employees and discloses the policy via the corporate website.

It is a priority for Teknosa to protect all stakeholders' rights at all times and embrace a business model based on creating value together. However, there are no compensation policies in place towards Sabanci employees and no legal issues have been encountered in this regard.

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 periodic meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees may provide their feedbacks to the management as well as to their colleagues through

the 360 degrees feedback mechanism, and the results are discussed in various management meetings and action plans are prepared for 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. Principally, public disclosure shall be made on the basis of the persons.

The remunerations provided to the Board Members are determined by the General Assembly and the disclosures are made on individual basis. Remunerations provided to the senior executives are disclosed to the public in the footnotes of our financial statements. Remunerations to executives are provided in accordance with the

remuneration policies, taking into account the performance criteria. These details are not explained on individual basis since they are considered as personal information.

2.2. The principles that have not been complied are summarized below, with the reasons for not achieving full compliance:

1.3.II. 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 concerns about the health and safety of stakeholders arising from the COVID-19 pandemic, as well as due to effective time management, General Assembly could not be 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 enlarged in the articles of association. Minority rights are determined within the scope of the provisions of the relevant legislation and there are no provisions in the Articles of Association for the expansion of minority rights.

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.

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2.3. The following principles are determined to be non-applicable as no transaction falling under such scope was performed in 2021:

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.

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 may benefit from the opinions of the independent specialists on matters that they find 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. However, institutions providing personal loans may make credits and other services available to these persons, within the conditions provided to other persons. Teknosa's compliance status with the Corporate Governance Principles in 2021 is summarized in the table below:

These principles could not be complied with in 2021 due to the practical difficulties for compliance with the discretionary principles, ongoing discussions on the implementation of these principles in international platforms and in Turkey, the fact that compliance with these principles does not benefit the interests of the Company and finally, due to the adverse developments of 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 2021 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

Status	Full Compliance	Partial Compliance	Non-Compliance	Irrelevant
Compulsory	24	-	-	-
Facultative	56	8	4	5
Total	80	8	4	5

by our Company's Board of Directors are publicly accessible at <https://www.kap.org.tr/tr/Bildirim/xxxx> 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 2021 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. 10 current/potential investors/analysts were contacted in 2021.

4. Monitoring the Changes in Legislation and Legal Procedures

No amendment that could impact Teknosa's operations substantially was introduced to applicable laws in 2021. However, the potential effects of the 2021 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 2021, 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 2021. 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 right and representation authority 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 required in Board members are not stated 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. During the reporting period, there is no condition which interrupts the independency.

The Members of the Board of Directors may be elected for a maximum term of office of three years and re-election of the members whose term of office has expired is permissible. 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. This member completes the remaining term of his/her predecessor.

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Based on the General Assembly's decisions, Board Members are authorized to perform transactions pursuant to the Articles 395 and 396 of the Turkish Commercial Code.

2. Operating Principles of the Board of Directors

The Board of Directors meets as often as they could perform their duties effectively, they execute their activities in transparent, accountable, fair and responsible manner, while they also consider the long-term targets and interests of the Company.

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. Agenda items of the Board meetings are discussed clearly and with every aspect. The Chairman of the Board of Directors shows best effort to ensure the effective participation of the executive and non-executive Board members in the Board meetings.

Timing and the agenda of the Board meetings are organized by the Chairman or the Deputy Chairman.

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

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, 2021, and December 31, 2021.

At the Board meetings, each member had 1 vote, and unanimous consent was sought while resolving matters and the Board always complied with Corporate Governance Principles. Attendance in person of the members without an excuse at the meetings of the Board of Directors was ensured. At the meetings held in 2021, no different opinion against the resolutions taken was expressed by the Members of the Board of Directors, and no comments were written down in the minutes. Since

Board Members did not have any questions and requested no additional information, these were not inserted in the minutes of the meeting.

In 2021 none of the Board members trade with the Company and compete with the Company in the same business.

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 care is taken to follow the recommendation of the Article 4.5.5 of the Communiqué: "It shall be noted that any member of the board of directors shall not have a duty in more than one committee," some of our Board Members can be a member in more than one committee due to business expertise in related areas.

Corporate Governance Committee

Corporate Governance Committee aims to maintain the continuity of the management process based on the ethical values of the Company, having internal and external accountability, risk awareness and that is transparent and responsible in its decisions and oversees the benefits of the stakeholders and has a sustainable success goal.

The duty of this Committee is to make suggestions and recommendations to the Board of Directors with regard to establishing the corporate governance principles in line with the principles of the CMB or 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 within the Company, and if these principles are not implemented, the Committee makes suggestions for improvement to the Board of Directors. The Committee also oversees the activities of the Investor Relations Department. Alongside the determination of the principles and evaluation of the performance and remuneration of the Board of Directors and Senior Executive Managers, the Committee submits the independent candidate member proposals to the Board of Directors by evaluating the independence qualifications of the candidates, also taking into account the candidates nominated by the management and the shareholders. The Independent Board Member Candidate submits a written declaration to the Corporate Governance Committee at the time of nomination.

The Committee, which shall convene at least four times a year pursuant to the bylaws, convened four times in 2021.

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

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 with 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, of taking necessary measures, implementing solutions and managing the risk.

Name-Surname	Position	Nature of the Board of Directors Membership/Duty
Mevlüt Aydemir	Committee Chair	Independent Board Member
Temel Cüneyt Evirgen	Committee Member	Independent Board Member
Ümit Kocagil	Committee Member	Teknosa Assistant General Manager of Finance

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

Committee meetings are held at least six times a year, at a location deemed appropriate by the Chairman. The annual meeting schedule is determined by the Chairman 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.

Audit Committee

The duty of the Audit Committee is to supervise the Company's accounting system, financial reporting, disclosure of financial statements, progress and effectiveness of independent audit and internal control systems, 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 Chairman 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 2021 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-Surname	Position	Nature of the Board of Directors Membership/Duty
Mevlüt Aydemir	Committee Chair	Independent Board Member
Temel Cüneyt Evirgen	Committee Member	Independent Board Member

The Early Detection of Risk Committee convened 6 times in 2021.

Name-Surname	Position	Nature of the Board of Directors Membership/Duty
Temel Cüneyt Evirgen	Committee Chair	Independent Board Member
Mevlüt Aydemir	Committee Member	Independent Board Member

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 Group places a 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 2021, 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. With the establishment of the Audit Committee, the Internal Control Mechanism effectively carries out the duties assigned by the Board of Directors, in compliance with the current Audit Committee Bylaws.

5. 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 targets are achieved or not are monitored by executive reports prepared at the end of each month. Whether the Company achieved its targets or not constitutes the basis for performance evaluation at the end of the year.

6. Financial Rights

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 General Assembly determines the payments to be made to the Chairman and Members of the Board of Directors as well as the attendance fee. The payments made to the senior executives are disclosed to the public in the footnotes of our financial statements.

In 2021, the Company; did not lend money to any Member of the Board of Directors, extend loans, extend the term of loans and credits, nor improved their conditions; did not extend a loan under the name of personal loan through a third party or provide any guarantees in favor of such persons.

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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 2021, Teknosa followed suit and established its sustainability targets accordingly.

2. Compliance with Sustainability Principles

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 2022. 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 2021.

Teknosa's compliance status with the Sustainability Principles in 2021 is summarized in the table below:

Type	Full Compliance	Partial Compliance	Non-Compliance	Irrelevant
General	6	6	-	-
Environment	14	9	-	3
Social	7	8	-	1
Management	5	1	-	-
Total	32	24	-	4

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>.