



Corporate Governance Principles Compliance Report

SECTION I-CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Teknosa, adopted the norm of complying with the four 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 (II-17.1) on “Determination and Implementation of the Corporate Governance Principles”.

On the other hand, full compliance hasn't been achieved yet due to some difficulties experienced during the implementation of certain non-obligatory 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 2017, in accordance with the legislation, the Company made necessary public disclosures in order to inform the investors and analysts promptly, transparently, consistently, regularly and simultaneously regarding all the important information that may have an impact on their investment decisions and regularly updated the Investor Relations website. Moreover, the Company attended investor meetings and conferences in order to continuously ensure the best communication with investors and analysts. Developments in the Legislation were monitored closely and necessary actions were taken.

There are six members in the Teknosa Board of Directors in conformity with the Article n.4.3.1 of the Communiqué, and there are two independent members in conformity with the exception stipulated in the first paragraph of the 6th Article of the Communiqué. Apart from this, the “Nomination Committee” and the “Remuneration Committee” liabilities stipulated in the 4.5.1 Article of the Communiqué, are undertaken by the “Corporate Governance Committee”. Moreover, although the Company pays special attention to comply with the provision of the 4.5.5 Article of the Communiqué on “Members of the Board of Directors cannot assume duties in more than one Committee”; since the Committee membership requires professional expertise, members of our Board of Directors can be a member in more than one Committee.

Teknosa is aware of its social responsibilities; it complies with the regulations regarding environment, consumers, public health and with the code of ethics. Our Company supports and respects The Universal Declaration of Human Rights. 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 II-SHAREHOLDERS

2.1 Investor Relations Department

In Teknosa, Investor Relations Department reports to Assistant General Manager -Finance Ümit Kocagil, who is also the Member of the Corporate Governance Committee. On the other hand, liabilities

of Investor Relations are fulfilled by the Manager of Finance and Investor Relations H. Şenay Akıncı Özertan. H. Şenay Akıncı Özertan, who is also a reporter in the Corporate Governance Committee, has the Capital Market Activities Advanced Level License.

The Investor Relations Department can be accessed at yatirimciiliskileri@teknosa.com or at +90 (216) 468 36 36 or via fax number +90 (216) 478 54 41.

The Investor Relations Department is in charge of carrying out shareholder relations within the frame of Corporate Governance Principles. Its duties include:

- Ensuring that written correspondence between investors and the partnership, and other information/documentation records are maintained, secured and updated;
- Responding to written information requests by partnership shareholders;
- Preparing and sending in advance to shareholders informational documents related to the General Assembly, and taking measures to ensure that the General Assembly proceeds in accordance with the relevant legislation, provisions of the Articles of Association and other existing partnership regulations;
- Ensuring and monitoring the fulfillment of liabilities stemming from Capital Markets Legislation including all issues concerning corporate management and public disclosure.

Within this framework, all legal liabilities were fulfilled in 2017.

Finance and Investor Relations Department is in charge of regularly informing the shareholders and prospective investors about the Company's activities, financial condition and strategies, 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. In 2017, meetings were organized with a total of 25 investors

and analysts, and approximately 30 queries (via e-mail) from shareholders and analysts were answered. Additionally, one teleconference regarding the Company's financial results was held. As per existing regulations, the Investor Relations report on these activities was finalized on December 31, 2017 and submitted to the Board of Directors on February 20, 2018.

2.2 The Use of Shareholders' Right to Obtain Information

As per applicable legislation, information (excluding confidential or proprietary information) is duly shared with shareholders, ensuring they receive first-hand information on Company strategies and activities.

In 2017, information requests of the shareholders that were made via phone calls or e-mails or the requests directed at the face to face meetings, were answered by the Investor Relations Department and the information that interests the shareholders was announced on the Investor Relations website within the compulsory notification periods.

Private Auditor assignment issue was not regulated in the Company's Articles of Association as a right. In 2017, no request was received from the shareholders about this issue.

2.3 General Assembly Meetings

Regulations regarding Teknosa's General Assembly Meetings were specified in the "Teknosa A.Ş Internal Directive on Ordinary and Extraordinary General Assembly's Working Principles and Procedures" that is available on the Teknosa Investor Relations website's Information Society Services pages. Apart from this, as per the legislation, the announcements and documents that must be publicly disclosed via Public Disclosure Platform (KAP) before and after the General Assembly meetings, are available under the topic "General Assembly" that is under the Section "Corporate Governance" on Teknosa Investor Relations website.



Corporate Governance Principles Compliance Report

Teknosa's 2016 Ordinary General Assembly meeting was held on the 27th of March 2017 at 15:00 o'clock, at the address of Sabancı Center Sadika Ana 2 Meeting Room, Sabancı Center, 4. Levent, Beşiktaş, İstanbul.

Call for the General Assembly was made; as stipulated in the Law and Articles of Association, in a manner containing the agenda, via announcements/ads in the Trade Registry Gazette copy (dated 02.03.2017 n.9275), via the Teknosa's website (www.teknosa.com) and the Electronic General Assembly System of the Central Registry Agency, by using all types of communication methods (besides the ones stipulated in the legislation) including electronic communication in order to reach maximum number of shareholders, at least three weeks prior to the General Assembly meeting date. All kind of information regarding the General Assembly, including the annual report and the financial statements, were made available and kept ready physically in the Company headquarters and on the website for the review of the shareholders.

In order for the shareholders to be represented in the General Assembly; both Electronic General Assembly System was used and the power of attorney form that will be notarized within the framework of the provisions of the Capital Markets Board Communiqué (II-30.1) was made available in the Teknosa Headquarters and on the website.

Thus, it was ensured that the shareholders who own dematerialized shares that are monitored by the Central Registry Agency and who also have right to attend General

Assembly meetings, or their representatives who represent the shareholders with notarized power of attorneys, attended the General Assembly meetings personally or over the Electronic General Assembly system by using their secure electronic signatures. In consequence, the Company pursued practices that would not create inequalities among the shareholders and that would facilitate attendance the meetings by using the easiest method at the lowest price.

Agenda items are voted on by a show of hands during the General Assembly meeting.

Teknosa's Ordinary General Assembly Meeting was held with the 61.79% participation ratio and TL 110,000,000.00 total nominal value of the Company was represented with 6,797,177,011 shares that have a total nominal value of TL 67,971,770.11

Members of the Board of Directors, Teknosa auditor, General Manager (CEO), Assistant General Manager -Finance (CFO) and the personnel who made the preparations of the General Assembly meeting attended the General Assembly meeting. However, except the shareholders, the stakeholders and media did not attend the meeting.

The meeting agenda included providing information about the 2016 Annual Report, Auditor's Report and Financial Statements; informing the General Assembly about charitable donations; acquittal of the Members of the Board of Directors; determining the method of using the 2016 profit/loss; determining the limit of charitable donations to be made by the Company in 2017 obtaining approval for

Board Member appointments made during the reporting period to fill Board vacancies; Auditor selection; authorizing the Chairman and Members of the Board of Directors to perform the transactions stipulated in the Articles 395 and 396 of the Turkish Commercial Code; obtaining approval for the amendment made to Articles 6 and 10 of the Company's Articles of Association, with respect to the permits to be obtained from the Capital Markets Board and the Ministry of Customs and Trade.

At the General Assembly meeting; the information about the total TL 33,562.12 donation made by Teknosa in 2016 to the non-profit organizations, was presented to the shareholders. It was determined that the upper limit of donations for 2017 is TL 250,000 and/or 5% of the net profit.

During the General Assembly, shareholders used their rights to give proposals. Meeting minutes of the General Assembly were publicly disclosed via Public Disclosure Platform, and all ads, announcements and documents regarding the General Assembly meeting were submitted for the information of the shareholders and stakeholders on Teknosa's website.

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.

2.4 Voting Rights and Minority Rights

According to Teknosa's Articles of Association, the Company does not have any privileged shares, and has a single right to vote for each share.

Minority shareholders and stakeholders are not represented in the Board of Directors. However, two independent members of the Board of Directors assume duties in the Board of Directors in order to equally represent the minority shareholders, in particular, and all the shareholders and the stakeholders. As of December 31, 2017, Teknosa did not have an associate company that is consolidated with the full consolidation method. Teknosa respects the exercise of minority rights, pursuant to the Turkish Commercial Code and CMB regulations, and the Company did not receive any complaints or negative criticisms regarding this matter in 2017.

2.5. Dividend Right

According to the Profit Distribution Policy approved at Teknosa's Ordinary General Assembly Meeting that was held on the 28th of March 2014; dividend was determined within the framework of the Turkish Code of Commerce provisions, Capital Markets Legislation, other relevant legislation and the relevant article of the Company's Articles of Association regarding profit distribution; and in line with Teknosa's mid and long term strategies, investment and financial plans; and by considering the economic situation of the country and the sector; and by maintaining the balance between the shareholders' expectations and Teknosa's requirements.

In addition to the principle of determination of the profit to be distributed in accordance with the decision to be taken at the General Assembly; distribution of all of the distributable profit to the share holders as cash issue has been adopted as principle. Teknosa does not distribute advance dividends.



Corporate Governance Principles Compliance Report

Dividends shall be distributed equally to all of the current shares regardless of their dates of issue and/or acquisition at the shortest time, after being approved by the General Assembly, and at the date determined by the General Assembly.

The General Assembly may decide to transfer a portion or the whole amount of the net profits to excess reserves. If the Board of Directors advises the General Assembly not to distribute the profit, the reasoning behind this situation and the planned use of the undistributed profits is explained to the shareholders during the General Assembly. Likewise, the same information is also shared with the public in the Annual Report and at Teknosa's website.

The Dividend Distribution Policy is submitted to the approval of the shareholders during the General Assembly. The Dividend Policy is reviewed by the Board of Directors each year, taking into consideration if there are negative factors in the local and global state of the economy, the projects undertaken by Teknosa and the current state of the funds. Any changes made in this policy is submitted to the approval of the shareholders at the first General Assembly to be held following the decisions are made and shared with the public at the Company's website.

Upon approval of the proposed motion at the Teknosa Ordinary General Assembly Meeting held on March 27, 2017, it was decided by majority vote to offset TL 160,613,000.00 of "Period Loss" in the Company's financial statements for the

2016 fiscal year, prepared in accordance with the CMB's Communiqué Series: II No: 14.1, and TL 12,846,342.10 of "Period Loss" recorded in the Company's statutory book as per the Tax Procedure Law with profits of previous years. According to Teknosa's Articles of Association, there are no privileges in dividend distribution.

The profit distribution policy and annual profit distribution proposal are available in the Annual Report, are submitted for the information of the shareholders at the General Assembly and are publicly disclosed via Investor Relations website.

2.6. Transfer of Shares

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

SECTION III-PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Its Content

Teknosa's corporate website address is www.teknosa.com. Investor Relations pages in Turkish and English are available at the URL of <http://yatirimci.teknosa.com>. The Company's Investor Relations website is reviewed and revised within the framework of the topic "2.1 Corporate Website Contents" that is specified in the annex "Corporate Governance Principles to be taken as basis" of the CMB Corporate Governance Communiqué /II.17.1). Within this scope, it is ensured that the information and documents stipulated in the legislation are accessible. The efforts continue to provide the English versions of the information specified in Turkish on the website.

The corporate website includes the following content:

- Detailed Information on Corporate Identity
- Vision and Mission
- Information on the Members of the Board of Directors and Executive Committee
- The Company's Shareholder Structure
- CMB Material Event Disclosure
- Articles of Association
- Financial Statements
- Independent Auditor Information
- Date and Agenda of the General Assembly, Explanations of the Agenda Items
- Minutes of the General Assembly and the Attendance List
- Corporate Governance Practices and Compliance Report
- Dividend Distribution Policy
- Disclosure Policy
- Anti Bribery and Corruption Policy
- Frequently Asked Questions

3.2 Annual Report

Teknosa's Annual Report is prepared and publicly disclosed within the framework of; the provisions of the Regulation on the "Determination of the Minimum Content of the Companies' Annual Reports" published in the Official Gazette n. 28395, dated 28.08.2012, the periods stipulated in the Communiqué (II- 14.1) on the "Principles Regarding Financial Reporting in the Capital Markets" and the Corporate Governance Principles.

Annual Reports are presented to the approval of the Board of Directors and are publicly disclosed together with the financial statements unless the Board of Directors takes a decision with a separate statement of responsibility to announce them after the financial statements' announcement. Annual Reports are available on the Teknosa's website.

SECTION IV - STAKEHOLDERS

4.1 Informing the Stakeholders

Regarding the issue of informing the stakeholders, Teknosa takes as a basis the Information Policy published in the Public Disclosure Platform (KAP) on the 26th of December 2014.

Stakeholders are informed on Company-related developments through public disclosures as per relevant regulations. Public disclosure is made through press conferences and statements. Furthermore, information shared during the General Assembly meetings and on the Company's website, the comprehensive activity report, press statements and transparent information policies ensure that both shareholders and stakeholders are kept well-informed. Additionally, company employees are informed via e-mails, training programs, seminars and meetings on issues that 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 document of interest to them via 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.

4.2. Stakeholder Participation in Management

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 360° 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 (suppliers, business partners, etc.) as well.



Corporate Governance Principles Compliance Report

4.3. 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 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. Within this scope, no complaint was raised by the employees on the issue of discrimination in 2017.

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. In Teknosa, human resources processes are conducted by the Human Resources Manager, Ebru Anıldı and recruitment and internship processes as well as performance and career management principles and the training and development requirements within the scope of the career development and back-up systems were determined through Teknosa Academy. These issues were shared both with the employees and public under the Human Resources section of the Company's corporate website.

Teknosa respects to and acts in compliance with the legal rules. The Company pays necessary attention to protect all the rights and to pay all the receivables of the employees within the period starting with their labor agreement and ending with the expiration of the agreement.

4.4. 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 and environment. The Company provides women across Turkey with free-of-charge technology training as part of the Technology for Women Social Responsibility Project that has been ongoing since 2017. To ensure employees are incorporated into social responsibility activities within the framework of human resources processes, the Teknosa Volunteers Club continues to carry out and support joint activities with social responsibility organizations such as LSV Dükkan or Mor Çatı on special days. 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 V-BOARD OF DIRECTORS

5.1 Board of Directors' Structure and Formation

The provisions stipulated in the Company's Articles of Association are considered for the procedures and principles such as Teknosa Board of Directors' structure, duties, management rights and power of represent.

Teknosa is governed and represented by a Board of Directors that is composed of at least six members who are elected by the General Assembly within the framework of the provisions of the Turkish Code of Commerce and the Capital Markets Legislation. There are six members in the Teknosa Board of Directors in conformity with the Article n.4.3.1 of the Communiqué and there are 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 CMB Corporate Governance Principles. Two members of the Board of Directors are independent members who are determined according to the Capital Markets Board's regulations on Corporate Governance Principles and Corporate Governance. Independence Statements of the Independent Members of the Board of Directors are available. Within the related activity period, there are no issues that terminate the independency.

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.

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

The information about Teknosa Board of Directors' Members - whose terms of offices started in March 2015 - is summarized in the below chart while their résumés are available on the Company website and in the related section of the Annual Report:

Corporate Governance Principles Compliance Report

BOARD OF DIRECTORS

Name/Surname	Position	Term of Employment in the Company	Duties outside the Company
Ata Köseoğlu	Chairman of the Board of Directors (Executive)	31.03.2017-March 2018	H.Ö. Sabancı Holding President of Retail Unit, Carrefoursa Chairman of Board of Directors
Temel Cüneyt Evirgen	Vice Chairman of the Board of Directors (Executive)	20.03.2015-March 2018	Sabancı University Faculty Member
Barış Oran	Member of the Board of Directors	20.03.2015-March 2018	Chief Financial Officer of H.Ö. Sabancı Holding
Onur Özkan ^(*)	Member of the Board of Directors	08.01.2018-March 2018	H. Ö. Sabancı Holding President of Retail Unit, Projects Coordinator, Carrefoursa and QNB Group Finans Factoring Board Member
Oğuz Nuri Babüroğlu	Independent Member of the Board of Directors	20.03.2015-March 2018	Board Member of Eti Gıda A.Ş.
Atıl Saryal	Independent Member of Board of Directors	17.04.2015-March 2018	Board Member of Kordsa, Akçansa and Olmuksa companies

^(*)Kamil Ömer Bozer who resigned from his position as Member of the Board of Directors on January 5, 2018 was replaced by Onur Özkan on January 8, 2018. Onur Özkan will continue to work until the end of his predecessor's term and his appointment will be subject to subsequent approval by the General Assembly as per Article 363 of the Turkish Commercial Code.

5.2. 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 looks out for Teknosa's long-term interests.

Every year, the members of the Board of Directors select a chairman and a vice chairman who will be the acting chairman in the absence of the chairman for the management of 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 with all aspects. The chairman of the Board of

Directors is obligated to make the best effort for ensuring effective participation of the non-executive members in the meetings.

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

The Board of Directors convenes as necessitated by the company affairs upon the chairman's or vice chairman's call for the meeting. The meeting date may be determined with the decision of the Board of Directors as well. In case, the chairman or the vice chairman does not call the Board of Directors for the meeting upon the request of one of the members, then the members will have the right to make a call for the meeting ex-officio.

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

The meetings of the Board of Directors can be held at the Company headquarters or at another location within or outside the borders of the country that is deemed appropriate by the Committee.

Unless one of the members make a request for a meeting that will be held physically, the decision 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.

Meeting and decision quorums of the Board of Directors are subject to the provisions of the Turkish Code of Commerce.

The Board of Directors of the Company held four (4) meetings between 01.01.2017 and 31.12.2017.

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 are not recorded in the minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2017.

In 2017, 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.

5.3 Number, Structure and Independency of the Committees Established Within the Structure of the Board of Directors

According to Teknosa Articles of Association, the Board of Directors establishes sufficient number of Committees ("Committee") in order to fulfill the tasks and responsibilities in a healthy manner. The "Nomination Committee" and the "Remuneration Committee" liabilities stipulated in the 4.5.1 Article of the Communiqué are undertaken by the "Corporate Governance Committee". Moreover, although the Company pays

special attention to comply with the provision of the 4.5.5 Article of the Communiqué on "Members of the Board of Directors cannot assume duties in more than one Committee", since the Committee membership requires professional expertise, members of the Board of Directors can be a member in more than one Committee.

Corporate Governance Committee

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.

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 maximum three Members, and two Reporters 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.

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles in the Company, and in case these principles are not implemented then the Committee makes suggestions to the Board of Directors for the improvement. The Committee pursues the activities of the Investor Relations Department. Besides



Corporate Governance Principles Compliance Report

the Board of Directors' and Executive Managers' performance and remuneration principles and assessments, the Committee submits the independent candidate member proposals – by evaluating the independency criteria of the candidates –, including the candidates nominated by the management and the shareholders, to the Board of Directors. 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 Corporate Governance Committee convenes 4 times a year. The Corporate Governance Committee convened 4 times in 2017.

With Teknosa Board of Directors' decision, the Corporate Governance Committee members were determined as follow;

Name/Surname	Position	Nature of the Board of Directors Membership/Position
Oğuz Nuri Baburoğlu	President of the Corporate Governance Committee	Independent Member of the Board of Directors
Atıl Saryal	Member of the Corporate Governance Committee	Independent Member of the Board of Directors
Ümit Kocagil	Member of Corporate Governance Committee	Assistant General Manager - Finance in Teknosa

Early Risk Detection Committee

The Early Risk Detection Committee was established to be responsible and authorized referring to the Teknosa İç and Dış Ticaret A.Ş. Board of Directors' resolution 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, 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 is 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 Early Risk Detection Committee convened 6 times in 2017.

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.

With Teknosa Board of Directors' decision, the Early Risk Detection Committee members were determined as follow;

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
Atıl Saryal	Member of the Early Risk Detection Committee	Independent Member of the Board of Directors

Audit Committee

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.

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

With Teknosa Board of Directors' decision, the Audit Committee members were determined as follow;

Name/Surname	Position	Nature of the Board of Directors Membership
Atıl Saryal	President of the Audit Committee	Independent Member of the Board of Directors
Oğuz Nuri Babüroğlu	Member of the Audit Committee	Independent Member of the Board of Directors

The Audit Committee held 4 meetings in 2017 and the main agenda items were the reviewing of the independent audit report and the presentations of the Audit Committee Presidency.

5.4. Risk Management and Internal Control

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

adhered to during the process of defining and implementing the necessary measures and strategies against such risks.

Risk management is conducted by the Early Risk Detection Committee ("Committee") on behalf of the Board of Directors. The responsibilities of the Committee are given below:

- To establish a systematic "Risk Management Culture", and to integrate it into the corporate culture,
- To ensure that risks are effectively identified and managed,

The Risk Management Policy at Teknosa serves to define, assess, prioritize, monitor, and report the potential risks involved in Teknosa's operations, and also to lay out the procedures and principles which will be



Corporate Governance Principles Compliance Report

- To provide that appropriate threshold values are identified for effective risk management, and the required infrastructure is set up,
- To ensure that investment decisions are made in accordance with Teknosa's and Sabancı Holding's strategic business goals, and predefined "Risk-Taking Limits",
- To ensure that Corporate Risk Management (CRM) becomes a proactive process as an integral and crucial part of Teknosa's corporate culture.

The Company has an Internal Control Mechanism, which effectively carries out the duties assigned by the Board of Directors, in compliance with the bylaws of the Audit Committee.

5.5. The Company's Strategic Goals

The Company's Board of Directors has determined the vision and the mission of the Company, and these are included in the Annual Report, and announced to the public on the Company's website, www.teknosa.com. Company's long term strategies are structured on these principles.

The Board of Directors sets the five-year strategic targets after discussing the issue with the General Assembly and updates every year. Whether the Company achieves its targets or not is monitored via monthly prepared manager reports. Yearend performance assessments are based on whether the Company achieves its targets or not.

5.6. Remuneration of the Board of Directors

Any remuneration, rights and benefits granted to the Company's Board Members are detailed in the Articles of Association. Remuneration Policy of the Company is available on the web-site. The attendance fees paid to the Chairman and the Board Members are determined at the General Assembly Meeting. The salaries paid to executive managers are announced to the public under the notes to the financial statements.

Remuneration of Independent Board Members is not made by stock options or performance-based payment methods.

In 2017, 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.