

## SECTION I CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

TeknoSA, adopted the norm of complying with the 4 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 2014, 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.

Although there is no Company policy regarding the provision of 4.3.9 Article of the Communiqué on "The Board of Directors determines a target ratio and target time for the female member ratio, provided that this ratio is not less than 25% and creates a policy to reach these targets", the Company pays special attention on this issue and there is one female member in TeknoSA Board of Directors.

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. The Company supports internationally accepted human rights and respects them. TeknoSA complies with the 3.5.2 Article of the Corporate Governance Principles but has not created yet a Policy on "Fight Against Corruption and Bribery". In 2015, our Company will create a Policy on "Fight Against Corruption and Bribery" and will announce this policy to all its stakeholders via TeknoSA's website ([www.teknosa.com](http://www.teknosa.com)).

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 Finance Director Z. Korhan Bilek, who is also the Member of the Corporate Governance Committee. On the other hand, liabilities of the Investor Relations are fulfilled by the Head of Investor Relations Erman Tütüncüoğlu. Erman Tütüncüoğlu, 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](mailto:yatirimciiliskileri@teknosa.com) or at +90 (216) 468 36 36 or 444 55 99, or via fax number +90 (216) 478 53 47.

Investor Relations 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.

Investor Relations Department is in charge of carrying out shareholder relations within the frame of Corporate Governance Principles. As part of its duties, the Department held 180 meetings in 2014 with investors and analysts both abroad and in Turkey; replied all questions and responded to 200 e-mails. In addition to this, 4 teleconferences were made regarding the Company's financial results and 11 Investor Conferences were attended in and outside the country.

Between the 1<sup>st</sup> of January 2014 and 31<sup>st</sup> of December 2014, TeknoSA İç ve Dış Ticaret A.Ş. made 13 disclosures on material matters. Within this period, no information request was made by CMB or BIST.

The report that must be prepared according to the legislation regarding the activities carried out in 2014 for Investor Relations was submitted to the Board of Directors on 28 January 2014.

### 2.2 The Use of Shareholders' Right to Information

In 2014, 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 2014, 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.

TeknoSA's 2013 Ordinary General Assembly meeting was held on the 28<sup>th</sup> of March 2014 at 15:30 o'clock, at the address of Sabancı Center Sadika Ana Salonu, 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 (n. 8520, dated 04.03.2014), via the TeknoSA's website ([www.teknosa.com](http://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.

TeknoSA's Ordinary General Assembly Meeting was held with the 77.58% participation ratio and TL 110,000,000.00 total nominal value of the Company was represented with 8,534,296.123 shares that have a total nominal value of TL 85,342,961.23.

Members of the Board of Directors, TeknoSA auditor, General Manager (CEO), Finance Director (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 main agenda items of the mentioned meeting were providing information about 2013 Annual Report, Audit Report and Financial Statements, approving the appointments made to the Board of Directors after resignations, acquittance of the members of the Board of Directors, approving profit distribution policy, determining the use and distribution method of the 2013 profit, providing information about 2013 aids and donations, and determining the upper limit of 2014 donations, selecting the Auditor, authorizing the Chairman and Members of the Board of Directors to perform the transactions stipulated in the 395th and 396th Articles of the Turkish Code of Commerce.

At the General Assembly meeting, the shareholders were informed about the fact that TeknoSA made TL 1,051,110 of donations in 2013 to the organizations working for public interest, and a decision

was taken with a majority of the votes to set the upper limit of donations to be made in 2014 equivalent to an amount that is 5% of the net profit. TeknoSA publicly disclosed its Donations and Aids Policy via Public Disclosure Platform on the 26<sup>th</sup> of December 2014. The Donations and Aids Policy will be submitted to the approval of the General Assembly at the Ordinary General Assembly meeting that will be held in 2015.

During the General Assembly, shareholders did not use their rights to ask questions and no proposal was given except the agenda items. 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 Rights to Vote 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 31<sup>st</sup> of December 2014, TeknoSA has 1 associate company (KlikSA İç ve Dış Ticaret A.Ş.) that is consolidated with full consolidation method.

TeknoSA respects the exercise of minority rights, pursuant to Turkish Commercial Code and CMB regulations, and the Company did not receive any complaints or negative criticisms regarding this matter in 2014.

### 2.5. Dividend Right

According to the Profit Distribution Policy approved at TeknoSA's Ordinary General Assembly Meeting that was held on the 28<sup>th</sup> 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.

As a principle, Teknosa aims to distribute 100% of its distributable profits to its shareholders, while the final decision is taken during the General Assembly taking into consideration the aforementioned factors. Teknosa does not distribute advance dividends.

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 web-site.

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 web-site.

Taking into account the provisions of the relevant Law and the Articles of Association; at TeknoSA's Ordinary General Assembly Meeting held on the 28<sup>th</sup> of March 2014, a decision was taken to make a TL 44.217.800,00 of total gross cash dividend payment - with a ratio of 40,1980% (gross) and 34,1683% (net) - to the shareholders who represent TL 110.000.000 of capital, and to start the payments on the 2<sup>nd</sup> of April 2014.

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 teknosa.com. Investor Relations pages in Turkish are available at the URL of <http://yatirimci.teknosa.com/anasayfa> while the Investor Relations pages in English are available at the URL of <http://yatirimci.teknosa.com/homepage>. 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.

### 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 26<sup>th</sup> of December 2014.

Additionally, company employees are informed via e-mails, training programs, seminars, and meetings which cover their fields of expertise or general areas of interest. There is also a portal available for the employees, and they can access any information or documents 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](mailto:etik@sabanci.com), and [etik@teknosa.com](mailto: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

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

Employees' participation in management is ensured by organizing regular company meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees can give their feedback to the management and to their colleagues through the 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.

### 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 in all areas of

activity, and make TeknoSA an exemplary company where everyone wants to or are proud to work at.

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

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

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

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

As part of its Human Resources policy, the Company embraces the principle of equal opportunity for persons with equal qualifications. Thus, the Company treats all employees fairly, and doesn't discriminate them due to their religion, language, race or gender, and takes all necessary measures to protect employees against bad treatment. Within this scope, no complaint was raised by the employees on the issue of discrimination in 2014.

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

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

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

In TeknoSA, human resources processes that are conducted by the Human Resources Director, Revna Besler, 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 and the private legal rules (if any) such as collective bargaining agreements. 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; conducts social responsibility projects such as; technology trainings, wrapping paper and gift cards projects carried out with Darüşşafaka Association, protecting unique works of art, national team sponsorship etc.

Adhering to its responsibilities as the leader of its sector, TeknoSA acts as a pioneer by committing itself to educational activities in order to raise young people’s consciousness about technology and the environment.

Accordingly, TeknoSA sets an example in the sector with its environmental practices such electronic waste collection, introduction of eco-friendly bags, and energy efficiency efforts.

## SECTION 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.

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. Within this scope, all the Members of the Board of Directors are non-executive members who

are defined in the 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 the General Meeting’s resolution, pursuant to the Articles 395 and 396 of the Turkish Commercial Code, Board Members are authorized to perform transactions.

Although there is no Company policy regarding the provision of 4.3.9 Article of the Communiqué on “The Board of Directors determines a target ratio and target time for the female member ratio, provided that this ratio is not less than 25% and creates a policy to reach these targets”, the Company pays special attention on this issue and there is one female member in TeknoSA Board of Directors.

The information about TeknoSA Board of Directors’ Members –who are all non-executive members and whose terms of offices started in April 2012 – is summarized in the below chart while their résumés are available on the Company website and in the related section of the Annual Report:

NAME/ SURNAME	POSITION	TERM OF EMPLOYMENT IN THE COMPANY	DUTIES OUTSIDE THE COMPANY
Haluk Dinçer	Chairman of the Board of Directors	11 years	President of the Retail and Insurance Group at Sabancı Holding
Temel Cüneyt Evirgen	Assistant of Chairman of the Board of Directors	10 years	Sabancı University Faculty Member
Muhterem Kaan Terzioğlu	Independent Member of the Board of Directors	3 years	Consultant
Oğuz Nuri Babüroğlu	Independent Member of the Board of Directors	3 years	Sabancı University Faculty Member
Neriman Ülsever	Member of the Board of Directors	3 years	Human Resources Group Director at Sabancı Holding
Barış Oran	Member of the Board of Directors	3 years	Head of Planning, Reporting and Finance Department at Sabancı Holding

## 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 deputy 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 deputy chairman.

The Board of Directors convenes as necessitated by the company affairs upon

the chairman's or deputy 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 deputy chairman doesn't 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.

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 01.01.2014 and 31.12.2014.

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 2014.

In 2014, 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 four 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 the Board of Directors' and Senior 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 Committee convened 4 times in 2014.

With TeknoSA Board of Directors' decision taken on the 30<sup>th</sup> of June 2014, the Corporate Governance Committee members were determined as follow;

NAME/SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Oğuz Nuri Babüroğlu	President of the Corporate Governance Committee	Independent Member of the Board of Directors
Muhterem Kaan Terzioğlu	Member of the Corporate Governance Committee	Independent Member of the Board of Directors
Neriman Ülsever	Member of the Corporate Governance Committee	Member of the Board of Directors
Z. Korhan Bilek	Member of the Corporate Governance Committee	Finance Director of 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 on the 24<sup>th</sup> of October 2013 and in accordance with the Article 378 of The Turkish Code of Commerce n.6102 and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

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

The Committee members are elected by the Company's Board of Directors and 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 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 taken on the 24<sup>th</sup> of October 2013, the Corporate Governance 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
Muhterem Kaan Terzioğlu	Member of the Early Risk Detection Committee	Independent Member of the Board of Directors
Neriman Ülsever	Member of the Early Risk Detection Committee	Member of the Board of Directors

The Early Risk Detection Committee held 6 meetings in 2014.

### 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 taken on the 18<sup>th</sup> of April 2012, the Audit Committee members were determined as follow;

The Audit Committee held 8 meetings till 30<sup>th</sup> of December 2013 and the main agenda items were the reviewing of the independent audit report and the presentations of the Audit Committee Presidency.

NAME/SURNAME	POSITION	NATURE OF THE BOARD OF DIRECTORS MEMBERSHIP
Muhterem Kaan Terzioğlu	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

### 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.

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 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,
- 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.

Risk is identified as an unexpected occurrence that may have negative impacts on the company's activities and business goals. Identified and monitored risks types are listed below;

Financial Risks include risks related to exchange rates, investment portfolio, loans, liquidity, and insurance.

Operational Risks include risks related to supply, productivity, capacity utilization, pricing, sales, customer satisfaction, product/service development, human resources, information safety and business continuity, employee health and safety, environmental health and safety, information systems and technologies, taxes, legal, brand management, reputation, performance management, external reporting and compliance, internal reporting, monitoring and control, authorizing, and limits.

Strategic Risks are internal and external risks that make a negative impact on the Company's strategic business objectives. (Such as risks related to planning, business model, business portfolio, investment analysis, corporate governance).

External Risks include risks related to the economy, politics, legal regulations, business continuity, customer trends, sector, changes in technology, relations with shareholders.

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. The Audit Committee is chaired by Board Member, Muhterem Kaan Terzioğlu.

### 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](http://www.teknosa.com). Company's long term strategies are structured on these principles.

The Board of Directors sets the three-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 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 2014, 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.