

# Corporate Governance Principles Compliance Report

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## CORPORATE MANAGEMENT PRINCIPLES COMPLIANCE STATEMENT

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**D**oğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. (Company) shows utmost care to comply with the “Capital Markets Board Corporate Governance Principles” Communique No. II-17.1, published by the Capital Markets Board, and operates in accordance with legal regulations and corporate governance principles.

It is fully compliant with the principles set forth by the Corporate Governance Communique No. II-17.1 and with the majority of the non-mandatory principles. Though it aims to fully comply with the non-mandatory Corporate Governance Principles, it has not yet achieved this goal due to the difficulties experienced in practice of some of the principles and to the lack of compatibility between some of the principles and the market’s and the company’s current structure. We are currently working on the principles that have not yet been put into action and will be implementing them upon completion of the administrative, legal and technical infrastructure to help in

effective management of the Company.

The following titles explain why some of the items could not be put in practice. We feel there to be no conflict of interest created by these items at present.

Three weeks before the General Assembly, we submitted for the information of the stakeholders the General Assembly Information document, which was created at the 2016 Ordinary General Assembly, with all the information required to be disclosed in the principles. Following review of the

corporate website and the annual report, we performed the necessary revisions for full compliance with the principles.

Our Company is driven to remain compliant with the principles by observing any future legislative changes and practices.

Full compliance has not been achieved as yet for the non-mandatory items among the Corporate Management Principles. Following part provides detailed information on the subject.

NON-FULLY COMPLIANT PRINCIPLE	REASON FOR NON-COMPLIANCE	ANY CONFLICTS OF INTEREST
4.3.9. The Company sets a target of at least 25 percent for female board members and puts in place policies to achieve this goal within a specific period of time. The Board of Directors assesses the progress in accomplishing these goals.	We are currently in the process of setting a target rate and time period for the female board members to serve at the Board of Directors.	None.
4.4.7. Board members make enough time to conduct company business. In the event that the board members serve as an executive or a board member at another company or provide consulting services to another company, there should be no conflict of interest or any situation that would disrupt the member's duties at the Company. Accordingly, there are certain rules and limitations for the members to take on duty/duties outside the Company. The shareholders will be provided information about the duties and reasons for the board members to take on these duties outside the Company, including information about whether the duties are in group- or non-group companies, during the General Assembly meeting, in which member selection, along with the agenda item about the selection, will be discussed.	No limitation has been put on board members to take on duties outside the Company due to the great contribution they make on the Board of Directors with their professional experience and insight in the industry.	None.

4.5.5. We ensure that a board member does not serve in multiple committees.	Since there are two independent board members in the Board of Directors, they serve in multiple committees.	None.
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4.6.5. We disclose to the public on the annual report the remunerations and all benefits provided to the board members and executives with administrative responsibility. Disclosures are made for individuals.	The remunerations and all benefits provided to the board members and executives with administrative responsibility are disclosed to the public on our financial statement footnotes of the annual report. However, the disclosure is not made per individuals, but as a sum of all the benefits provided to the senior management made up of the board members, CEO, assistant vice presidents.	None.
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## PART I SHAREHOLDERS

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### 1.1 Investor Relations Department

The Company complies with the legislation, the Articles of Association and other internal regulations with regard to the use of the shareholders' rights, and it takes all the necessary measures for these rights to be used.

The "Investor Relations Department" was created to oversee all interactions between the shareholders and the Company and ensure full implementation of the shareholders' right to information in accordance with the CML and CMB regulations and resolutions. The Department conducts its operations pursuant to the CML, CMB regulations and resolutions and the Articles of Association.

The Investor Relations Department conducts its operations under the Finance Director. Investor Relations Officer Feyruze Aslı Kondu and Legislative Compliance Officer Aysun Vardan work full time, reporting to Chief Financial Officer, Kürşad Duman. Feyruze Aslı Kondu and Aysun Vardan also serve as members of the Corporate Governance Committee and Early Detection of Risk Committee, respectively.

**Kürşad Duman**

Executive Vice President, Finance  
 Telephone: 0 216 425 00 02  
 email: ir@dogtaskelebek.com

**Feyruze Aslı Kondu**

Investor Relations Officer  
 Telephone: 0 216 425 12 24  
 email: ir@dogtaskelebek.com  
 License Documents:  
 Capital Market Operations Level 3

**Aysun Vardan**

Legislative Compliance Officer  
 Telephone: 0 216 425 12 24  
 email: ir@dogtaskelebek.com  
 License Documents:  
 Capital Market Operations Level 3

As part of the Company's disclosure Policy, we provide information on the Company's operating results, performance and other developments during the fiscal year through meetings held with the shareholders, investors, research specialists of intermediary institutions, and other stakeholders, and offer shareholders comprehensive and current information and disclosures that may affect the use of shareholder rights through our corporate website.

All of our share certificates have been dematerialized at the Central Dematerialized System (CDS). We take utmost care to comply with the legislation and the Articles of Association in responding to shareholders' requests. In 2017, there were no written or verbal complaints received by our Company regarding the use of shareholder rights, nor there were any administrative or legal actions taken against our Company to the best of our knowledge.

In 2017, information requests from the investors and shareholders were answered in accordance with the Capital

Markets Legislation and CMB regulations and resolutions. Relevant information and documents, except those considered to be confidential and commercial secret, were delivered to the investors and shareholders according to the principle of equality.

**1.2 Shareholders' Use of the Right to Information**

In order to expand the shareholders' right to information and allow them to use these rights properly, we constantly update the financial statements, as well as the necessary information and documents, and make them available for the shareholders on the investor relations section of our corporate website on [www.dogtaskelebek.com](http://www.dogtaskelebek.com).

Material event disclosures, financial statements and other Company information, which we are required to submit to Borsa Istanbul as per the Public Disclosure Platform (PDP), are sent with electronic signatures.

We became a member of the Merkezi Kayıt Kuruluşu Anonim Şirketi, established to keep book-entry records of capital market instruments, to dematerialize our Company shares that are traded at the Borsa Istanbul. Following dematerialization of our shares, we gave authorization to Deniz Yatırım Menkul Kıymetler A.Ş. to perform all transactions related to our shareholders' such as dividend distribution, capital increase and so on. Deniz Yatırım Menkul Kıymetler A.Ş. Telephone: 0212 348 2000

We take utmost care to comply with the legislation in responding to investors' requests. Last year, there were no complaints received by our Company regarding the shareholders' use of right to information, nor there were any

administrative or legal actions taken against our Company to the best of our knowledge.

No appeals or queries were received in this regard during the period.

Articles of Association of Doğtaş Kelebek Mobilya Sanayi ve Tic. A.Ş. does not set forth the appointment of a special auditor as an individual right. A special auditor was not requested in the period.

### 1.3 General Assembly Meetings

The Company's general assembly meetings are held according to all of the principles under the "General Assembly" title of the "Corporate Governance Principles."

The Company prepares an "Information Document" on the agenda items and discloses it to the public prior to the General Assembly. Pursuant to the Articles of Association, the legislation and the procedures, we announce the General Assembly at least three weeks in advance on the [www.dogtaskelebek.com](http://www.dogtaskelebek.com) corporate website to reach as many shareholders as possible. Announcements and disclosures are made in accordance with the Turkish Commercial Code (TCC), CML, CMB regulations and resolutions, and the Articles of Association.

The "Information Document" that includes the annual report, financial report, financial statements, dividend distribution proposal, and General Assembly agenda items; other documents that are the basis for the agenda items; and if the Articles of Association is to be amended, the amendment content and reason, are provided with easy access for review by the shareholders at the Company headquarters and electronically from the

date of the General Assembly meeting invitation.

The Company's corporate website presents the legislative announcements and disclosures, as well as the General Assembly announcement, CML and CMB regulations, and the announcements and disclosures required to be made as per other legislative provisions. In advance of the General Assembly Meeting, we provide sample proxy statements on the corporate website for the shareholders who will be represented by proxy. The corporate website also explains the voting procedure ahead of the meeting.

In addition to the General Assembly Meeting announcement, the website features legislative announcements and disclosures, and other matters that the Corporate Governance Principles require to be disclosed to the shareholders in accordance with the principles.

As such,

- We published on the corporate website the total number of shares, which shows the Company's share structure, and information on the right to vote, on the General Assembly Meeting announcement date.
- We prepared the General Assembly agenda by putting each proposal under a separate title and describing the agenda item headings clearly to prevent misinterpretations. We ensured that the agenda items did not have wording such as "other" or "various." The information provided prior to the General Assembly Meeting is posted based on the agenda items.
- During preparation of the Ordinary General Assembly agenda, there were no matters that the shareholders requested from the Company's Investor Relations Department to add to the agenda items.

Similarly, the shareholders, the CMB and/ or other organizations and institutions related to the Company did not request any items to be included on the agenda.

- The meeting method of the General Assembly aims to achieve maximum participation from the shareholders. We hold general assembly meetings in a way to prevent any inequality between the shareholders. The general assembly meetings are held at the Company headquarters. On April 28, 2017, an Ordinary General Assembly meeting was held in Istanbul, where the Company headquarters is located, according to the Company's Articles of Association. The Articles of Association of the Company allow the meetings to be held at other locations of the city where its headquarters is located.
- The meeting chair made the necessary arrangements and obtained the essential information prior to running the General Assembly pursuant to the TCC, the Law and the relevant legislation.
- The meeting chair endeavored to ensure agenda items were handled in a clear and understandable way during the Ordinary General Assembly. Shareholders were given equal opportunity to express their views and ask questions. The meeting chair ensured that the shareholders' questions, except those that fell into the category of trade secret, were answered directly at the General Assembly.
- Executive board members, at least one other board member and representative of the independent audit company participate at the general assembly meetings. Also, those with responsibilities for the agenda items and those who need to make statements are required to be present. If those other than the ones required to be present by the law cannot attend the meeting, the chair submits to the General Assembly their reason for not being present.

The CMB resolution No. 4/89 dated February 1, 2013, applies in this regard. The shareholders, some board members, the Independent Auditor and company employees participated at the Ordinary General Assembly with regard to the 2017 fiscal year.

The 2017 Ordinary General Assembly Meeting was held on April 28, 2017, at 10:30 a.m. at İdealtepe Mahallesi, Rifkî Tongsir Caddesi, No: 107 Maltepe, İstanbul. At the General Assembly Meeting, 19,256,976,700 shares out of the 20,906,976,700 shares, which account for the Company capital, were represented. Agenda item questions by shareholders that took part at the meeting personally or by proxy were answered during the meeting. Meeting minutes and list of attendants were disclosed to the public through the PDP on the same day. Meeting minutes and list of attendants are available for the shareholders at the corporate website.

Pursuant to article 38 of the Articles of Association, the General Assembly shall determine the upper limit of donations. Any donation exceeding such limit shall not be allowed and the donations made will be added to the distributable profit base. The donations made by the Company shall not conflict with the hidden profit transfer regulations of the CMB, the TCC and other relevant legislation. Necessary material event disclosures shall be made, and at the General Assembly the shareholders shall be informed about any donations made.

Meeting minutes of the General Assembly, including for past years, are available on the corporate website on [www.dogtaskelebek.com](http://www.dogtaskelebek.com).

#### 1.4 Voting and Minority Rights

The Company shall avoid practices that make it hard for the shareholders to vote. It shall put in place the mechanisms necessary to provide each shareholder to exercise the right to vote in the easiest and most appropriate way. According to article 35 of the Articles of Association on Electronic Participation in the General Assembly, the right holders who are entitled to attend the General Assembly meetings of the Company may participate in these meetings in an electronic setting in accordance with Article 1527 of the Turkish Commercial Code.

In accordance with this particular provision of the Articles of Association, the right holders and their representatives were provided with the conditions to exercise their rights as specified in the provisions of the said regulation during the General Assembly Meeting.

There are no privileged shares and thus no voting shares in the Company's Articles of Association. Each share has one vote. The partnership structure of the Company does not include a legal entity with which it has a mutual affiliate relationship. There is no regulation on minority shares to be represented in the management. The Articles of Association does not include a cumulative voting method.

#### 1.5 Dividend Share Right

The board of directors shall, for the distribution of the accumulated profits and payment of annual dividends, make a profit distribution proposal to the general assembly, taking into consideration the company's performance for the relevant year, prevailing economic conditions, investments, and the company's cash flow.

The Company's primary policy is to follow a policy in line with the criteria determined by the Capital Markets Law and balance the interests of the shareholders and the company. Pursuant to article 38 of the Articles of Association, the period profit, which remains in the annual balance sheet after deducting the amounts that the company has to pay or reserve such as general expenses, various amounts of depreciation and required taxes to be paid by the company's legal entity from the company's income at the end of the operating period, shall be distributed in the order specified below, after the deduction of prior years' losses, if any:

General Legal Reserves:

- a) Five percent shall be reserved as legal reserves. The First Dividend:
- b) The first dividend is set aside from the remainder based on the amount to be determined after adding back the donations made during the year, if any, as required by the profit distribution policy to be determined by the General Assembly and in accordance with the relevant legislation.
- c) Once the aforementioned discounts are made, an amount of dividend at a percentage to be determined by the General Assembly shall be distributed among the members of the Board of Directors except the Independent Members of the Board of Directors.

The Second Dividend:

- d) The General Assembly is authorized to fully and partially distribute or set aside as voluntary reserve pursuant to the Article 521 of the Turkish Commercial Code the remaining part after deduction of the amounts specified in the items (a), (b) and (c) from the net period profit.

General Legal Reserves:

- e) A tenth of the amount found after the

deduction of a 5-percent dividend paid to the shareholders from the part that is resolved to be paid to shareholders and other participating entities shall be added to the general legal reserves in accordance with Paragraph 2 of the Article 519 of the TCC.

Unless the legal reserves are set aside and the dividend prescribed for the shareholders in the Articles of Association is distributed in cash or as stocks, resolving to set aside additional reserves, carrying over any profit to the upcoming year, and distributing dividends to board members, officers, employees and workers, foundations established for various purposes or similar other individuals and/or organizations shall not be allowed.

The dividend shall be distributed equally to all current shares regardless of their issue and acquisition dates. The manner and time of distribution of the dividend resolved to be distributed shall be decided by the General Assembly upon such request of the Board of Directors. Distribution of dividend resolved by the General Assembly in accordance with these Articles of Association may not be revoked.

The Company may make donations to various organizations, institutions, foundations, and associations through a General Assembly resolution within the framework of the Capital Market Law without hindering the Company's purpose and subject of activity provided that hidden income transfer regulations are not breached, necessary material event disclosures are made, and the donations made throughout the year are submitted for the information of shareholders at the General Assembly. The General Assembly shall determine the upper limit of donations. Any

donation exceeding such limit shall not be allowed and the donations made will be added to the distributable profit base. Unless the legal reserves and the first dividend designated for the shareholders in the articles of association are set aside, setting aside any additional reserves, carrying over any profit to the coming year, and distributing dividends to the board members, officers, employees, and workers shall not be allowed.

The location and time of the distribution of profit resolved by the general assembly with the relevant provisions of the legislation taken into consideration shall be announced to the shareholders by a material event disclosure through the Public Disclosure Platform and on the company's website.

As prescribed in the Capital Market Law and the CMB regulations and resolutions, our Company has submitted for the information of the General Assembly, and disclosed to the public, its profit distribution policies.

Dividend distribution is made as soon as possible following the General Assembly Meeting with the periods set forth by the CML and the CMB regulations. There were no distributable profits in the January 1, 2016-December 31, 2016 fiscal period prepared in accordance with the CMB regulations and resolutions. Thus, it was resolved at the Ordinary General Assembly on April 28, 2017, not to distribute dividends to the shareholders for the 2016 fiscal period.

### **1.6 Transfer of Shares**

The Company's Articles of Association does not have a provision that restricts transfer of shares. Transfer of shares shall be done in accordance with the provisions of the TCC and CMB.



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**PART II**  
**PUBLIC DISCLOSURE AND**  
**TRANSPARENCY**

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Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. strives to make all legislated disclosures to the public. The Company pursues an active and transparent disclosure policy. It complies with the CML in all public disclosure practices and aims to employ the most effective communication policy within the scope of the CMB Corporate Governance Principles.

The Company's Articles of Association sets forth the information, other than those required by the legislation, to be disclosed to the public, the frequency and method of the disclosure, the frequency that the Board of Directors and executives will meet with the press, the frequency of the public disclosure meetings, the approach to responding to the questions sent to the Company, and other matters.

The information that will be disclosed to the public pursuant to the Public Disclosure and Transparency principle is disclosed to the public on the "Public Disclosure Platform" at the [www.kap.org.tr](http://www.kap.org.tr) address and on the corporate website on [www.dogtaskelebek.com](http://www.dogtaskelebek.com) on time, in full and in a comprehensible, interpretable and low-cost manner to help in decision making by the individuals and institutions that will benefit from the disclosure.

There were 49 material event disclosures made in the year in accordance with the CMB regulations. All of the material event disclosures were made on time and published on our website.

The Disclosure Policy is available on the corporate website.

**2.1 Corporate Website and Content**

The corporate website address on [www.dogtaskelebek.com](http://www.dogtaskelebek.com) provides information in English, in addition to Turkish, to allow international investors to use the site. The information on the Company's corporate website is consistent with the content of the statements made within the framework of the relevant legislation, and does not contain any inconsistent or incomplete information.

The website is updated according to relevant developments and contains all the matters stated in the Corporate Governance Principles, Part II, article 2.1. The information in the Investor Relations dates back five years. The Company Disclosure Policy includes the principles on management of the corporate website.

## 2.2 Annual Report

The annual reports and interim annual reports are prepared in accordance with the provisions of the TCC, the “Regulation on Establishing the Minimum Content of Companies’ Annual Report” by the Ministry of Customs and Trade, and the CMB Communiqué No. II-14.1 on the Principles of Financial Reporting in Capital Markets, and the provisions of the Communiqué.

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## PART III STAKEHOLDERS

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### 3.1 Disclosure to Stakeholders

Stakeholders include the employees that have an interest in the Company’s reaching its goals and in its operations, and the institutions and interest groups such as creditors, suppliers, unions and various non-governmental organizations. In its transactions and operations, the Company protects the stakeholders’ rights set forth by the legislation and mutual agreements. In circumstances these rights are not protected by legislation or mutual agreements, it takes utmost care to protect the stakeholders’ interests within the principles of goodwill and so much as the Company’s means allow it. The Company complies with the Corporate Governance Principles in its relations with the stakeholders and has put in place the necessary mechanisms for this purpose. In the case a conflict of interest occurs between the stakeholders or a stakeholder belongs to multiple interest groups, the Company pursues a balanced policy so much as possible to protect the rights with an aim to protect each right independently.

The Company employees are informed during the regular annual meetings. In addition, the Human Resources Department constantly provides information to the employees about the internal developments. The Corporate Communications Department also provides Doğtaş Kelebek news highlights for all employees.

The Company officials provide information to the dealers at the annual dealer meetings.

Also, customers and suppliers send written and verbal queries to the Company management regarding any issues.

The Company pursues customer-focus in its operations and regularly measures and assesses customer satisfaction. It provides constant technical and social training to the dealers, services and employees to improve customer satisfaction.

All of our Company operations are subject to the provisions of the CMB and TCC.

Our accounts are regularly audited in accordance with the CML and the Tax Legislation. The reports that are drawn up in this context are announced through the Public Disclosure Platform.

Illegitimate and unethical action by the stakeholders may be reported to the Corporate Governance or Audit committees through the relevant departments.

### 3.2 Stakeholders' Participation in Management

Models that encourage participation in company management by the stakeholders, particularly the company employees, are developed in a way not to disrupt the company operations.

Employees share valuable ideas with the management by sending them to the [superkomite@dogtaskelebek.com](mailto:superkomite@dogtaskelebek.com) email address through the Super Idea system. The Company rewards the accepted ideas as an incentive to the employees.

The periodic Employee Satisfaction Survey is a tool for employees to express their wishes and improvement requests within their organizations.

Selected personnel at the After-sales Services Hotline respond to and resolve within set periods the complaints and requests received from customers and consumers. The service saves all requests electronically and reports and monitors customer satisfaction improvements.

The results from the regular customer-consumer studies set the course for new product development operations. Improvement and development operations take place based on the market demands with a close eye on R&D and design developments. Confidentiality of customer and supplier information is protected meticulously within the scope of commercial secrets. Stakeholders' views are obtained for important decisions that will affect their interests.

### 3.3 Human Resources Policy

The Company's Human Resource Policy and practices comply with all the principles listed on the Corporate Governance Principles, Part III, article 3.3.

We value our employees as the most important source of accomplishment towards the future. As such, we pursue the following principles in our operations:

- We believe in open communication and support it at all levels.
- We create a peaceful work environment in which our employees will be happy and proud to be a part of.
- We do not discriminate against or favor anyone in our career and talent management operations, and offer equal opportunities to those who will set a role model with the necessary knowledge and skills.
- We provide training and development programs to improve our employees' expertise and personal and leadership skills.

- We put in place suggestion and reward systems that encourage innovative ideas that grow our business.
- We encourage high-performance and success and reward the results.

We aim to recruit the candidates who are most suitable to our Company values and corporate culture and possess the education, experience and competencies required by the job.

The duties in the organization of the company are evaluated according to the degree of contribution to the results of the company and their level of difficulty, and each one of our employees is assigned one specific level within a scale representing all degrees of difficulty. The company's scale structure is the most fundamental management and decision support tool for all Human Resources policies, practices and issues, especially with respect to the management of

employees' salaries and fringe benefits. The duties in the organization of the company are evaluated according to the degree of contribution to the results of the company and their level of difficulty, and each one of our employees is assigned one specific level within a scale representing all degrees of difficulty. The company's scale structure is the most fundamental management and decision support tool for all Human Resources policies, practices and issues, especially with respect to the management of employees' salaries and fringe benefits.

### 3.4 Ethical Rules and Social Responsibility

Work is underway to determine and implement the code of ethics of the Company.

When the Company code of ethics is established, it will be announced to the public and on the website.

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## PART IV BOARD OF DIRECTORS

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### 4.1 Structure and Formation of the Board of Directors, and Independent Members

We comply with the TCC, the Capital Markets Legislation, Capital Markets Law, and the CMB regulations and resolutions. The Articles of Association also provides the rules on the matter. The Board of Directors is made up of six members elected by the General Assembly. There are two independent members on the Board of Directors. In accordance with the CMB Regulations and Resolutions, one third of the Board of Directors is made up of independent members.

When nominating the members of the Board of Directors of our Company we expect efficient and constructive work performance from them, an ability to make fast and rational decisions and to form committees and organize their work effectively. Members of the Board of Directors are composed of qualified and experienced individuals with the necessary knowledge and skill level.

Currently there is no executive Board Member on the Company's Board of Directors. Members of the Board of Directors are elected for a maximum of three years in accordance with the Company's Articles of Association. It is possible to re-elect the members of the Board of Directors who have completed their terms.

Board of Directors members are insured under the Managerial Liability Policy against defects in their duties that may cause damages to the Company. The total annual liability limit of the

insurance is slightly below the amount stated in the Corporate Governance Principles. The total annual liability limit is determined by the decision of the Company management and presently it is foreseen that the limit will be maintained at the current levels.

While there were female directors on our Board of Directors in the previous years there are none presently. Studies are underway to ensure that our Board of Directors includes women members in the coming years.

The duties that our board members carry out outside the company are as follows;

<b>Name and surname</b>	Davut Doğan
<b>Duty</b>	Chairman, Board of Directors
<b>Duties Outside the Company</b>	Doğanlar Investment Holding Inc. Chairman of the Board of Directors, Directorate of the Union of Chambers of Turkey, Chairman of Furniture Products Council
<b>Name and surname</b>	Şadan Doğan
<b>Duty</b>	Vice-Chairman, Board of Directors
<b>Duties Outside the Company</b>	Doğanlar Investment Holding Inc. Member of the Board of Directors, Biga Chamber of Commerce and Industry Chairman
<b>Name and surname</b>	Mert Güvenen
<b>Duty</b>	Member, Board of Directors
<b>Duties Outside the Company</b>	Member, Board of Directors - Selah Makine Gemicilik ve Endüstri Ticaret, Er Group of Companies, Salcano Bisiklet Member, Executive Committee
<b>Name and surname</b>	Hüseyin Doğan Türkmen
<b>Duty</b>	Member, Board of Directors
<b>Duties Outside the Company</b>	Managing Director at Doğanlar Yatırım Holding A.Ş.
<b>Name and surname</b>	Bekir Özkan Hakan Yavaşal
<b>Duty</b>	Independent Member, Board of Directors
<b>Duties Outside the Company</b>	None
<b>Name and surname</b>	Hayrettin Kaplan
<b>Duty</b>	Independent Member, Board of Directors
<b>Duties Outside the Company</b>	None

\* At the Ordinary General Assembly meeting held on April 14, 2015, our Board of Directors members were elected for a term of three years.

A written declaration is obtained from our Independent Members of the Board of Directors that they fulfill the “independence” requirement in accordance with the Capital Markets Law and the CMB Regulations and Regulations. As of the date of the report, there were no circumstances that compromised the independence of the independent Board members.

#### **4.2 Operating Principles of the Board of Directors**

The Board of Directors of our Company carries out its activities in a transparent, accountable, fair and responsible manner in accordance with all the matters set out in the Corporate Governance Principles.

In accordance with Corporate Governance Principles 4.4.1. the Board of Directors meets as frequently as is needed to fulfill its duties effectively. The Company’s articles of association incorporate the principles on meeting frequency, quorums, and resolutions of the Board of Directors. In this context the Board of Directors meets whenever the business of the Company requires it, not less than six (6) times in a year, upon an invitation by the Chairman or the vice-chairman of the Board to the members either attending personally or via a teleconference, and the meeting is conducted within or outside the borders of the Republic of Turkey. In accordance with the articles of association of our company a meeting quorum is achieved by the attendance of four (4) members to the Board of Directors meetings. Resolutions of the Board of Directors are carried by the votes of at least four (4) members of the Board in favor, without prejudice to instances where the majority votes of the Independent Board Members are sought, pursuant to the

Capital Markets Legislation. Members have no casting votes.

Meetings of the Board of Directors are held at the corporate headquarters or at a convenient location in the city where the headquarters is located.

However, with the decision of the Board of Directors it is possible to have Board meetings outside the Company headquarters or by remote access using available technology. Each member of the Board of Directors has one vote. Resolutions carried at the meeting, subjects discussed and dissenting votes are recorded at the meeting. Each member of the Board of Directors may request from the Chairman or the Vice-Chairman the addition of a new item to the agenda.

Decisions of the Board of Directors are announced to the public through the Public Disclosure Platform (PDP).

#### **4.3 Structure and Independence of Committees Established by the Board of Directors**

Corporate Governance Principle no. 4.5.1, foresees that the Board of Directors, in order to be able to soundly fulfill its duties and responsibilities should establish the Audit Committee, the Corporate Governance Committee, the Nomination Committee, the Early Detection of Risk Committee and the Remuneration Committee; however due to the structure of the Board of Directors, if a separate Nomination Committee, Early Detection of Risk Committee and a Remuneration Committee can not be formed then the Corporate Governance Committee may fulfill the duties of these committees. In this context, the Audit Committee, Corporate Governance Committee and

the Early Detection of Risk Committees were set up in our Company. The duties of the committees that are not yet established by the Board of Directors are fulfilled by the Corporate Governance Committee in accordance with the Corporate Governance Principles.

According to the Corporate Governance Principle no. 4.5.3, all members of the Audit Committee and the chairmen of all other committees should be elected from among the independent members of the In this context, elections of the chairman and members in the committees formed by the decision of the Board of Directors dated December 8, 2017, were made in accordance with the Corporate Governance Principles. Again, in accordance with these principles, the General Manager of the Company does not take part in the committees. The same independent member serves on each of the three committees since there are only two non-executive independent members on the Board of Directors of the Company in accordance with the Corporate Governance Principles with respect to criteria for Board members serving on committees.

The Board of Directors carried a resolution at the meeting of December 8, 2017 that the committees should be re-established. In this context, new elections were held for members for the Audit Committee, Corporate Governance Committee and the Early Detection of Risk Committees.

Audit Committee: Non-executive Independent Board Member Hayrettin Kaplan was elected committee chairman and Non-executive Independent Board Member Bekir Özkan Hakan Yavaşal, a committee member.

For the Corporate Governance Committee: Hayrettin Kaplan, a non-executive independent board member, Şadan Doğan, a member of the board of directors and Feyruze Aslı Kondu, Investor Relations Unit Manager were elected.

To the Early Detection of Risk Committee: Hayrettin Kaplan, Independent Non-executive Board Member, and Aysun Vardan, Regulatory Compliance Manager.

The Audit Committee shall audit the annual and interim financial statements and footnotes to be disclosed to the public with regard to their compliance with the current legislation and international accounting standards. They shall submit a report to the Board of Directors in writing together with their own evaluations the opinions of the Company's responsible managers and independent auditors regarding their compliance with the accounting principles adopted by the company and their truthfulness.

The committee reviews the annual report to be disclosed to the public and observes whether the information contained here is accurate and consistent with the information it has. In general terms, the committee supervises the accounting system, the independent audit and the public disclosure of the financial information and the operation and effectiveness of the internal control system.

The Corporate Governance Committee is responsible for presenting proposals for corporate governance policies, to enhance the quality of corporate governance practices, to inform the Board of Directors on the effective follow-up of the Capital Markets

Board corporate governance principles legislation and generally accepted corporate governance principles in the international capital markets and to implement any that are applicable; to identify, evaluate and train appropriate candidates for the Company's Board of Directors and to undertake work on the determination of the remuneration principles of the members of the Board of Directors and senior managers of the Company and submit proposals to the Board of Directors; to detect those risks that may jeopardize the company's existence, development and continuity on an early basis, to implement measures related to the identified risks and carry out studies related to risk management and in general fulfill its objectives.

The Early Detection of Risk Committee is responsible for evaluating the probability of occurrence of all risks that may endanger the existence, development, or continuity of the Company, for assessing and defining their effects, for establishing the risk measurement models and risk management systems, reviewing their effectiveness at least once every year, informing the Board of Directors with respect to the measurement of risks, their monitoring and the application of risk elements in decision-making processes and make necessary cautionary reports, advising the Board of Directors on risk management practices and on ways to improve the risk management models.

The committee conducts necessary studies on the adoption and implementation of risk management policies and practices by all Company units and employees. The committee audits the company's risk management systems at least once every year

and submits a report to the Board of Directors. Six meetings were held during the period by the Early Detection of Risk Committee.

#### **4.4 Strategic Goals of the Company**

The Company's Board of Directors defines company strategies through long- and short-term planning. The economic forecast for the coming year, the situation of the industry, and the market share of the company are examined and the positions and targets to be set in the face of possible fluctuations in the industry and in the economy are determined along with any necessary investments. It also participates in the deliberation of how to obtain the required resources needed to realize the improvements and investments decided upon.

Short-term targets are followed by annual budgets. Variances are discussed in the Actual Realization to Budget Comparison Reports prepared every month.

#### **4.5 Financial Rights**

Our company does not pay fees to members of the Board of Directors except for the independent members in accordance with the resolution carried at the annual Ordinary General Assembly meeting. In accordance with the resolution carried at the Ordinary General Assembly Meeting held on April 14, 2015, it was resolved to pay a net amount of 5,000 Turkish lira each month for the entire year, a level deemed to protect the independence of each appointed independent Board member.

Apart from this, there are no other fees or benefits provided to the Board of Directors. In accordance with article no. 4.6.5 of the Corporate Governance



Principles, the Company discloses to the public in the annual report the remunerations and all benefits provided to the board members as well as executives with administrative responsibility. However, the disclosure is not on a specific person basis.

The Company has not provided loans to any member of the Board of Directors or to any manager with administrative responsibilities, has not granted loans, extended the maturities of any existing loans and credits, improve their terms, has not extended credits under the name of personal loans through a third person or given guarantees such as a warranty. In accordance with the Corporate Governance Principles no.

4.6.2, the principles of remuneration of the members of the Board of Directors and managers who have administrative responsibilities must be made in writing and presented to shareholders as a separate item of the agenda at the General Assembly, and shareholders should be given the opportunity to comment on this issue. The Salary Policy established in this context was also made available to the public on our website at [www.dogtaskelebek.com](http://www.dogtaskelebek.com).

At this time there is no Salary Committee established by the Board of Directors, however its duties are fulfilled by the Corporate Governance Committee in accordance with the Corporate Governance Principles.