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BORSA İSTANBUL A.Ş.
DIRECTIVE ON OPERATING PROCEDURES AND
PRINCIPLES OF THE BOARD

İSTANBUL – 2019

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BORSA İSTANBUL A.Ş.
DIRECTIVE ON OPERATING PROCEDURES AND PRINCIPLES OF THE
BOARD

FIRST PART

Purpose, Scope, Grounds and Definitions

Purpose

ARTICLE 1- (1) The purpose of this Directive is to determine and set down the operating procedures and principles of the Board of Borsa İstanbul A.Ş.

Scope

ARTICLE 2- (1) This Directive covers the operating procedures and principles of the Board of Borsa İstanbul A.Ş.

Grounds

ARTICLE 3- (1) This Directive is issued in reliance upon the provisions of the Articles of Association of Borsa İstanbul A.Ş. registered in İstanbul Trade Registry Office on 03/04/2013 and announced in the Trade Registry Gazette edition 8293 on 04/04/2013, and of the Turkish Commercial Code no. 6102 put into force upon promulgation in the Official Gazette edition 27846 on 14 February 2011.

Definitions

ARTICLE 4- (1) For the purposes and in the context of this Directive:

- a) “Chairperson” stands for the Chairperson of the Board of Borsa İstanbul A.Ş.; and
- b) “Exchange” stands for Borsa İstanbul A. Ş.; and
- c) “Articles of Association” stands for the Articles of Association of Borsa İstanbul A.Ş. registered in İstanbul Trade Registry Office on 03/04/2013 and announced in the Trade Registry Gazette edition 8293 on 04/04/2013; and
- ç) The “CEO” stands for Borsa İstanbul A.Ş. Chief Executive Officer; and
- d) “Code” stands for the Turkish Commercial Code no. 6102 put into force upon promulgation in the Official Gazette edition 27846 on 14 February 2011; and
- e) “Office of the Chief of Staff” stands for Borsa İstanbul A.Ş. Office of the Chief of Staff; and
- f) “CMB” stands for the Capital Markets Board of Türkiye; and
- g) “Company” stands for Borsa İstanbul A.Ş.; and
- h) The “Board” refers to decision making body of Borsa İstanbul A.Ş. which is composed of the Chairperson of the Board and the Members of the Board; and
- i) “Chair” stands for the Chair of the Board of Borsa İstanbul A.Ş.

SECOND PART

Procedures and Principles Regarding Meetings and Decisions of the Board

Duties

ARTICLE 5- (1) To call the Board for meetings, to ensure that Board's meeting calendar is prepared 6 months in advance, to set the meeting agenda, to preside over meetings and manage negotiations in those meetings, and finally, to track the implementation of decisions are among the duties of a Chairperson, or in the absence of the Chairperson, the Deputy Chairperson of the Board.¹

(2) The Chairperson is elected by the Board of the Company. Every year, in its first meeting held right after the Annual General Meeting (AGM), the Board elects a Chairperson and, in the absence of the Chairperson, a Deputy Chairperson from among its own members authorized to preside and manage the meetings of the Board by proxy.²

Meeting time and place

ARTICLE 6- (1) The Board meets at least once a month at a predetermined date and time specified by the Chairperson in consultation with the Board Members, and the calendar is arranged depending on the workload of the Company. Meeting dates are determined at least 6 months in advance.³

(2) Meetings may be held at the Company's headquarters or at any convenient place deemed fit by the Chairperson.

Agenda

ARTICLE 7- (1) The meeting agenda is determined by the Chairperson, or in the absence of the Chairperson, by Deputy Chairperson.

(2) Unless specified otherwise, and no later than 5 business days prior to the meeting, the place, date, time, and agenda items together with the clearly drafted motions and their resolutions are sent to all Board Members or uploaded into the safe dataroom accessible by Board Members. Other individuals required to attend the meeting shall also receive documents of the agenda items they are related to.⁴

(3) A Board Member may propose any subject matter to the Chairperson to be discussed in the agenda of the meeting. Subject matter not included in the agenda but are considered to be urgent and important, may also be incorporated into the agenda and discussed upon a proposal by the Chairperson or the Board Members. Agenda items requested by the Board Members are usually discussed in the same meeting if deemed fit and justified by the Chairperson, otherwise, these are included in the agenda of the next meeting.

¹ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2018/34 dated 22/03/2018.

² Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

³ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2018/34 dated 22/03/2018.

⁴ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2018/34 dated 22/03/2018.

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However, if the Chairperson does not approve the discussion of the requests, they are required to inform the Board that the request was excluded from the agenda.⁵

(4) An agenda item related to the Board Committees is included in each meeting to inform the Board about the activities of those Committees.⁶

Meeting and decision quorums and operating principles

ARTICLE 8- (1) The Board meets in presence of the majority of the full number of its members, and takes its decisions by the affirmative vote of the majority of the members present in the meeting. This rule is also valid and applicable for Board meetings held online via electronic media. Abstention vote cannot be used when voting. Board Members are not allowed to vote for and on behalf of each other, nor may they attend the Board meetings by proxy. In case of a tie in the votes, the related subject is deferred to the next meeting. If this tie repeats once again in the second meeting, the subject motion is deemed to have been declined. Board meetings are presided and managed by the Chairperson or in their absence, by the Deputy Chairperson.⁷

(2) Board Members who vote against majority shall state verbally that they are against the decision in the same meeting. A Board Member using dissenting vote against a decision shall submit to the Chairperson their reasons for objection in writing within three business days following the date of the meeting attaching their reason into their decision.

(3) Validity of decisions is dependent upon their being duly drafted and signed.

(4) Those who are entitled to attend the meetings of the Board of the Company may also attend these meetings online via electronic media pursuant to Article 1527 of the Turkish Commercial Code. The Company may either establish an Electronic Meeting System enabling the right owners to attend and vote in these meetings online via electronic media, or outsource this service to systems already made for this purpose, in accordance with the Communiqué on Meetings to be Held via Electronic Media in Commercial Companies, Other Than General Assembly Meetings of Joint-Stock Companies. In said meetings, right owners are allowed to use their rights arising out of the laws either via Electronic Meeting System established in the Company itself or via outsourced system within the frame of the pertinent provisions of the aforesaid Communiqué.

If none of the Board Members files a request for holding a physical meeting, decisions of the Board may also be taken by written approval of at least simple majority of the full number of Board Members or by secure electronic signatures taken via Electronic Meeting System in respect of a motion presented by one of the Board Members on a certain subject and drafted in the form of a resolution. Presenting the same motion to all of the Board Members is a requirement for the validity of a resolution. Written approvals are not required to be on

⁵ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

⁶ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2018/34 dated 22/03/2018.

⁷ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2014/24 dated 05/06/2014.

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the same paper, but for validity of a resolution, all of the papers bearing the approval signatures are required to be affixed to the Board's resolution book, or a decision containing signatures of affirmative voters is required to be drafted and included in the resolution book.

(5) Each Board Member is entitled to request the Chairperson to call the Board for a meeting.

Confidentiality of negotiations

ARTICLE 9- (1) Meetings of the Board are confidential, and except for the personnel of Office of the Chief of Staff providing secretariat services to the Board and Board Members, no one may attend the Board meetings.

(2) If and when needed, the Board may invite specialists to be consulted on a certain subject or requested to act as reporter for certain files for the Board meetings.

Motions

ARTICLE 10- (1) Motions prepared by company departments as a basis for resolutions at the Board are presented to the Chairperson with prior approval of the CEO. In a motion, opinions are expressed on the subject matter, and all kinds of documents that may be helpful for the decision-making process are attached to the motion. Motions deemed fit and acceptable by the Chairperson are included in the meeting agenda.⁸

(2) Motions made by the Board Members are to be addressed to the Chair of the Board. Motions made by the Board Members may either be directly added to the agenda by the Chairperson or be referred to a related Company department for necessary actions. Such motions referred by the Board Members to the departments are to be prioritized for their finalization.⁹ .

Procedures of negotiations

ARTICLE 11- (1) If there are no changes made to the existing motions in the agenda, the agenda items are discussed respectively. Extraneous Motions put forward by the Members are negotiated following the discussion of the agenda items.

(2) Motions that cannot be agreed upon due to differences of opinion or deemed necessary to be reviewed in detail may be left on the agenda without a decision by the Board.

(3) The Secretary writes down and documents the minutes for actions to be taken.¹⁰

Voting procedure

ARTICLE 12- (1) After negotiations on a motion are made in the agenda, the motion is put to vote in full or each article is voted separately.

Contents of the Resolutions

⁸ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

⁹ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

¹⁰ This paragraph is added by a decision of the Board of Borsa İstanbul A.Ş., no. 2018/34 dated 22/03/2018.

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ARTICLE 13- (1) Resolutions of the Board are signed by the Chairperson and Board Members.

(2) Resolutions contain:

- a) Date of the meeting,¹¹
- b) Date and number of the resolution,
- c) Text of the resolution for each motion, and
- ç) Name, surname and signature of each of the Board Members present in the meeting.

(3) A resolution proposed by one of the Board Members and approved by others in writing shall be noted, or, in the case of their online participation, their approval shall once again be noted in the text of the resolution.

(4) Where a resolution is taken with the participation of all Board Members online with secure electronic signatures, a statement that the resolution was made by secure electronic signature is required in the text of the resolution, and the resulting physical resolution is to be affixed to the resolution book.

(5) Where a resolution is taken by both physical and online participation of some of the Board Members, those Members who signed off physically and those Members who signed off online through secure electronic signature is to be noted in the physical resolution text and affixed to the resolution book.

Drafting and securing Resolutions

ARTICLE 14- (1) Resolutions taken in the meeting may be written in the resolution book or be written in electronic media and its printout may be affixed to the resolution book. Any Board Member who disagrees with the majority vote is under obligation to state the reasons of his dissenting opinion in writing. Dissenting opinions and votes are also included in the text of the resolution.

(2) Resolutions of the Board are written down in or affixed to a bound book with successive page numbers, certified by a notary public or the relevant Trade Registry Office, with successive numbers and in chronological order, in such a manner to avoid any doubt as to the validity or authenticity of the text. Each page of the resolution is initialized by the Chairperson and Board Members present in the meeting. On the last page, names of the Chairperson and Board Members are written, and it is signed off by all participants in the meeting.

(3) Resolutions of the Board, motions underlying these resolutions, records kept via electronic media, and their outputs are kept at the Office of the Chief of Staff. After their signature, the Office of the Chief of Staff sends immediately certified copies of resolutions to the relevant Executive Vice President or to the heads of departments reporting directly to the CEO.

(4) In case of online participation of the Board's meetings via electronic media, the related electronic records are kept safely pursuant to Article 65 of the Turkish Commercial Code.

¹¹ Version of this subparagraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

Disclosure and publishing of Resolutions

ARTICLE 15- (1) Without prejudice to the pertinent provisions of the applicable laws and regulations, Resolutions of the Board may be made public by appropriate means and ways, including the internet.

(2) The Board of the Company may decide not to publish its Resolutions which may be subject to reservations in terms of the national economy and public order if published.

(3) Unless there are no objections for public disclosure in Board meetings, the Chairperson or their designee may give a statement to the press and media regarding the subject matters negotiated and the resolutions of the meetings.

THIRD PART

Duties, Functions, Powers and Rights of the Board and the Board Members

Duties, functions and powers of the Board

ARTICLE 16- (1) It is the responsibility of the Board to manage and represent the Company towards third parties. Except those left under the authority of the Annual General Meeting, pursuant to the Articles of Association and the applicable laws and regulations, the Board is authorized to take decisions on any matters as and when required within the fields of its business activity. Furthermore, the Board:

- a) Drafts Resolutions on the bylaws that are required to be prepared by the Company, and are within the area of responsibility of the Company; and
- b) Puts into force the directives and the codes of practice included in the internal legislations of the Company; and
- c) Drafts Resolutions on applications for authorization to trade in the Exchange, and if and when required, decides to cancel the authorization to trade in the Exchange temporarily or permanently; and
- ç) Drafts Resolutions on applications for listing and trading of capital market instruments and other products in the Exchange; and
- d) Builds and establishes markets, marketplaces, platforms or systems for trading of the capital market instruments and other products, and if and when needed, terminates them, and regulates the procedures and principles applicable in connection therewith; and
- e) Takes decisions on committees and commissions to be appointed to assist the Board, and elects their members, and determines the procedures and principles regarding their election and operation, and continuously audits their activities; and
- f) Investigates and resolves the disputes that may arise in the course of Exchange transactions; and
- g) If needed, enforces disciplinary punishments on natural persons or legal entities authorized to trade in the Exchange or on their representatives; and
- ğ) Imposes the required sanctions on those who fail to comply with the rules of listing and trading in the Exchange and the measures taken in connection therewith, and if and when needed, delists the capital market instruments and other products, or terminates their trading

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in the Exchange;¹² and

h) Establishes a surveillance system for the Exchange transactions; and

i) Determines organization, departments, management, delegation of management, job definitions, powers and responsibilities of the Company, and the working procedures and principles of the officers and personnel of the Company; and

i) Drafts Resolutions on the internal legislations related to personnel staffing, wages, financial and individual rights, indemnities, cash and non-cash benefits, bonus premiums and all kinds of fringe benefits and rights of the CEO, members of the committees, commissions and employees of the Company; and

j) Promulgates the directives about recruitment, dismissal, qualifications, promotion, performance criteria, duties, responsibilities and obligations of, and prohibitions imposed on, and disciplinary rules applicable on, personnel of the Company; and

k) Determines the budget and personnel staffing positions of the Company; and

l) Determines the amounts and rates of income items of the Company, and the time and method of their collection; and

m) Discusses and decides the financial statements and annual activity report of the Company, and presents them to the Annual General Meeting with its profit distribution proposal; and

n) Discusses and makes resolutions out of the proposals regarding purchasing, sales, manufacturing and leasing operations within its areas of responsibility, and their financing; and

o) Appoints the CEO, and upon the suggestion of the CEO, appoints the Executive Vice Presidents (EVPs), directors and other personnel in equivalent job positions having first degree signature authorization;¹³ and

ö) Decides all kinds of transactions regarding receivables, rights, debts and obligations of the Company with third parties, including, but not limited to, settlement, release, waiver, arbitration, grant and donation, in strict compliance with the corporate governance principles determined by CMB; and

p) Decides the strategies and policies with regard to the management of risk exposures of the Company, and takes necessary actions for effective management of those risks; and

r) Enters into cooperation agreements with foreign exchanges or organizations; and

s) Determines the limits of representation and signature authorizations of personnel; and

ş) Decides on the opening, the transfer, merger and closure of branches, offices and representative offices, and determines their powers and authorizations, and working procedures and principles; and

t) Requests information from the CEO about activities and operations of the Company, and requests assessment and special audit of operating results; and

u) Determines its own operating rules and methods; and

ü) Issues capital market instruments;¹⁴ and

¹² Version of this subparagraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

¹³ Version of this subparagraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

¹⁴ Version of this subparagraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124

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v) Performs other functions and duties granted by the legislation.¹⁵

Duties, functions and powers of the Board Members and their relationship with departments

ARTICLE 17- (1) Basic duties, functions and powers of the Members of the Board are as listed below:

- a) To participate in meetings, negotiations and resolutions of the Board; and
- b) To perform the duties and functions vested in by the Board; and
- c) To help the Chairperson in order to ensure that the operations of the Board are conducted in harmony, effectively, and regularly; and
- ç) To report their opinions, ideas and suggestions about the Company's activities and operations to the Chair of the Board; and
- d) To present suggestions to the Chair with respect to discussion and decisions on the subjects requiring decisions of the Board and in regard to enforcement and implementation of the decisions of the Board.

(2) Relations of the Board Members with departments of the Company are handled and established through the Chair of the Board. Principles set forth in Article 392 of the Turkish Commercial Code are applied on information and inspection rights of the Board Members.¹⁶

Information requests of the Board Members

ARTICLE 18- (1) Board Members may request any information and document about subjects in respect to duties and functions of the Board.

(2) Each Board Member may request information and/or documents, and may investigate any activity and operation of the Company. Requests of information, documents and/or inquiry made by the Board about the activities and operations of the Company cannot be declined.

(3) Each Board Member may, with prior permission of the Chairperson, request information from any individual assigned for management of the Company, about the progress of work and certain individual duties, outside the Board meetings. If deemed fit and necessary for performing their functions, Board Members may request the Chairperson to provide the Company books and files for their review.¹⁷

(4) If the Chairperson declines a request of information/documents and/or inquiry made by any one of the Board Members as specified in this Article, then, the issue is referred to the Board within two days. If the Board does not meet or refuses this request, then, the requesting Board Member may file a petition to the commercial court of the first instance having jurisdiction in the place where the Company's headquarters are seated. The court may review and judge on the matter over the case file. The judgment of the court is final.

dated 20/06/2019.

¹⁵ This subparagraph is added by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

¹⁶ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

¹⁷ Version of this paragraph as revised and amended by a decision of the Board of Borsa İstanbul A.Ş., no. 2019/124 dated 20/06/2019.

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(5) Without prior consent of the Board, the Chairperson is not authorized to get information nor may examine the Company's books and files outside the Board meetings. If this request of the Chairperson is refused, the Chairperson may also file a petition to the competent court in accordance with the fourth paragraph hereinabove.

Confidentiality and disclosure

ARTICLE 19- (1) The Board is under obligation to keep in strict confidentiality and not to disclose all and any confidential information and documents, obtained when performing their duties and functions, to any person or entity other than the legally authorized entities, and not to use them for self-interest or for and against of third parties.

Ban on participating in negotiations

ARTICLE 20- (1) The Board Members are subject to the ban on participating in negotiations as specified in Article 393 of the Turkish Commercial Code. The same ban is also valid for subject matters that might be related to Board Members who might have a direct or indirect employment relationships with the entities or organizations representing themselves.

(2) A Board Member is not authorized to participate in negotiations where there is a conflict of interest with the Company's business activities including but not limited to, non-Company related personal and/or their relatives, in lineal kinship with them, or of their spouse, or any one of their blood relatives or relatives by marriage up to (including) the third degree. This ban is also valid for Board Members who should not be a participant to the negotiations in conflict with company interests according to good faith principle. In case of doubt, the final word rests on the Board. The relevant Board Member may not participate in voting on such issues as well. Even if a conflict of interest is not noticed by the Board, the relevant Board Member is under obligation to disclose these conflicts and to abide by these prohibitions.

(3) A Board Member who acts in contradiction with these provisions, and Board Members who do not object against that Member's taking part in these meetings, even though it is well known with objective evidence that there is a conflict of interest, and Members who vote in favour of that Member's participation of the meeting, shall, in this regard, all be liable to indemnity to any damage and loss incurred on the Company.

(4) The reason of not taking part in negotiations due to ban, and the proceedings in relation therewith, are documented in the related Resolution of the Board.

Obligation to attend the meetings

ARTICLE 21- (1) Board Members are under obligation to be present in meetings of the Board at the date and time determined and specified by the Chairperson. A Board Member who fails to attend three successive meetings without an excuse or fails to attend one-third of the full number of meetings held within an accounting period, even intermittently, without an excuse, shall be deemed to have resigned from the Board.

(2) A Board Member who is unable to attend a meeting of the Board due to an excuse is obliged to send a written notice to the Chair of the Board, by also stating their excuse, prior

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to the relevant meeting, or else, they are deemed to have failed in attending that meeting without an excuse.

FOURTH PART

Final Provisions

Absence of Provisions

ARTICLE 22- (1) Any provisions absent in this Directive shall be governed by the pertinent provisions of the Company's Articles of Association and the Code respectively.

Effective date

ARTICLE 23- (1) This Directive is adopted in the meeting of the Board held on 02 May 2013, and is made effective the same date.

Enforcement

ARTICLE 24- (1) The provisions of this Directive shall be enforced and executed by the "Chairperson of the Board".