

**BORSA İSTANBUL A.Ş.**  
**DIRECTIVE ON THE RESPONSIBILITIES AND WORKING PRINCIPLES OF THE CORPORATE GOVERNANCE**  
**COMMITTEE**

**Purpose and Scope**

ARTICLE 1 – (1) This Directive is aimed at determining whether the corporate governance principles envisaged by the Capital Markets Board for exchanges in accordance with article 73 of the Capital Markets Law, keeping the provisions of article 138 under reserve, are observed, and failing such observance, the reason therefor, and the conflicts of interest arising therefrom; at making recommendations to the Board for improving the implementation of corporate governance principles; and at determining the working procedures and principles of the Corporate Governance Committee (Committee) established and empowered by the Board to perform the duties delegated to the Nominations Committee and Remuneration Committee by the corporate governance principles unless a separate Nominations Committee and Remuneration Committee are created.

(2) All resolutions taken by the Corporate Governance Committee are recommendations and go into effect when approved by the Board of Directors.

**Grounds**

ARTICLE 2 – (1) This Directive is issued in accordance with article 16 of the Company's Articles of Association and article 366 of the Turkish Commercial Code in consideration of the corporate governance principles determined by the Capital Markets Board.

**Definitions**

ARTICLE 3 – (1) In this Directive:

- a) Articles of Association refers to Borsa İstanbul A.Ş. Articles of Association registered at Istanbul Trade Registry on April 3, 2013 and published in the Trade Registry Gazette no. 8293 dated April 4, 2013,
- b) CEO refers to the CEO of Borsa İstanbul A.Ş.,
- c) Law refers to the Turkish Commercial Code no. 6102 which went into force after being published in the Official Gazette no. 27846 dated February 14, 2011,
- d) Committee refers to Borsa İstanbul A.Ş. Corporate Governance Committee,
- e) Committee Chair refers to Borsa İstanbul A.Ş. Corporate Governance Committee Chair,
- f) Chief of Staff Department refers to the Chief of Staff Department of Borsa İstanbul A.Ş.,
- g) Company refers to Borsa İstanbul A.Ş.,
- h) Board refers to the Board of Borsa İstanbul A.Ş.,
- i) Chairman refers to the Chairman of the Board of Borsa İstanbul A.Ş.

**Creation and Structure of the Committee**

ARTICLE 4– (1) The Committee consists of at least two members elected by the Board and the majority of members serving on the Committee should be independent or non-executive directors. If necessary, experts that are not Board members may be appointed to the Committee.

2) Committee members shall be determined for a period of up to three-years which may be extended for further periods of up to three-years, provided the member still meets the criteria for membership of the committee. The Committee Chair shall be an independent Board member. CEO and Chair of the Executive Committee shall not sit on the Committee. Any Executive receiving a full time salary and/or bonus from the Exchange should not be involved in any resolution regarding remuneration and nomination.

3) If there are any vacancies in the Committee during the year, a qualified Board member shall be elected to fill the position in the first next Board meeting. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under this Directive to be appointed to that position by the Board. In case where the chairman of the Board is a member of the committee, the chairman of the Board shall not chair the committee when it is dealing with the matter of succession to the chairmanship for that meeting.

**Working Principles and Procedures of the Committee**

ARTICLE 5 – (1) The Committee shall regularly convene at the Company headquarters, no less than once bi-monthly, and as may be required, upon the invitation of the Committee Chair. If needed, Committee members

or the Chairman of the Board may convene the Committee. The meeting agenda shall be determined by the Committee Chair. Any member of the Committee can propose items to be discussed on the agenda.

(2) The time and date of regular meetings will be set up to 6 months in advance in consultation with members. Meetings of the Committee shall be called by the secretary of the committee at the request of the committee chairman. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend, no later than [five] working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

(3) The Committee convenes with the simple majority of its members and takes its decisions by a majority of votes. If the votes are equal, the side for which the Committee Chair votes will be deemed to prevail.

(4) Subject to the quorum and decision making rules, Committee meetings may be held by using technological methods that allow remote access.

(5) The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance. Draft minutes of committee meetings shall be circulated within 10 (ten) days to all members of the committee and formally approved by the members at the following meeting. Once approved, summary minutes should be circulated to all other members of the Board unless the Committee determines that information is confidential in which case a verbal summary will be given at the board. The decisions taken at Committee meetings shall be written down and signed by the Committee members. Resolutions requiring Board approval/information shall be sent to the Chief of Staff Directorate in order to be included in the agenda of the Board meeting as well as those that do not require Board approval.

(6) The Committee may, if finds it necessary, meet Company executives and Company employees, independent auditor or the representatives of persons and institutions related with the Company with regard to the subjects falling in its field, recommend to receive the opinions of experts or receive consultancy services.

(7) In principle only members of the Committee have the right to attend committee meetings. Other individuals such as the chief executive, the head of human resources and Company executives, staff and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

(8) In order to serve as a basis for the Company's annual report, the Committee shall prepare an annual evaluation report on the Committee's activities in the previous year in January and present it to the Board.

(9) The Committee may authorize one or more of its members for certain matters.

(10) Committee members that fail to participate, unexcused, in the Committee meetings three times in a row or a total of one thirds of the meetings in an accounting period shall be deemed to have resigned from Committee membership. A Committee member that will be unable to attend a meeting due to an excuse shall advise such excuse to the Company's Chief of Staff Department to be submitted to the Committee Chair in writing prior to the meeting and shall otherwise be deemed to have failed to participate in the meeting unexcused.

(11) The Committee Chair should attend the Annual General Assembly to answer any shareholder questions on the Committee's activities.

#### **Duties and Powers regarding Corporate Governance**

ARTICLE 6 – (1) The duties and powers of the Corporate Governance Committee regarding corporate governance are as follows:

a) to determine whether the corporate governance principles envisaged by the Capital Markets Board for exchanges are observed, and failing such observance, the reason therefor, and the conflicts of interest arising therefrom, and to make recommendations to improve corporate governance practices,

b) to assist the Board in preparing the corporate governance statement and in submitting it to the General Assembly,

- c) to ensure that a corporate governance compatibility report is prepared, if required by the relevant legislation,
- ç) to monitor if the duties and powers are openly and clearly distributed among the bodies, units, executives and employees of the Company, to make proposals for the arrangements and policies to prevent conflicts of interest that may arise in practice, to monitor compliance with such arrangements and policies,
- d) to make recommendations to determine the Company's information policy, to monitor compliance with the implementation of the determined policies, to review the scope, quality, stability and correctness of the statements and information provided in the Company's website and activity report,
- e) to work on arranging the relations of the Company with its shareholders and other stakeholders, and on strengthening its communication and cooperation with them,
- f) to follow up that actions for protecting the rights of the relevant persons are taken in an unbiased and balanced manner in cases of conflicts of interest between the Company and its shareholders and other stakeholders, to examine the requests and complaints of the shareholders and stakeholders on subjects that fall within its area of duty, and to submit proposals for settlement to the Board,
- g) to follow up that stakeholder rights, particularly the right to information and examination, are protected and exercising thereof is facilitated,
- h) to follow up the transactions and procedures that the Company engages with the related parties, within the framework of the corporate governance principles,
- ı) to work towards ensuring that corporate governance culture is embraced in the Company and adopted by executives and employees of all ranks,
- i) to contribute to determining and improving the Company's ethical rules and to monitor that Company activities are carried out in line with such rules,
- j) to monitor that the Company is sensitive to corporate social responsibilities, and observes the arrangements with regard to the environment and public health,
- k) to follow the developments on corporate governance and search the possible effects thereof on the Company management,
- l) to engage in the other transactions and procedures with regard to the corporate governance provisions envisaged in the relevant legislation and Articles of Association.

(2) The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

#### **Duties and Powers regarding Nominations**

ARTICLE 7 – (1) Unless a separate Nominations Committee is created as part of the Board, the duties and powers of the Nominations Committee envisaged in the corporate governance principles shall be carried out by the Committee. The Committee should carry out the duties below as appropriate:

- a) work on determining nominees qualified for Board membership, to the extent allowed by the relevant legislation and the Articles of Association or upon the request of the shareholders entitled to nominate Board members. Considering the privileges of the shareholders' entitled to nominate Board members, review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board.
- b) make recommendations to the board concerning the structure of the Board, efficiency of its efforts, and training needs of the Board members, if any.

c) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

ç) make recommendations regarding the approaches and practices for the evaluation of the senior managers' performance and ensure their development,

d) monitor, on behalf of the Company, whether the Board members have the qualifications envisaged in the relevant legislation and the Company's Articles of Association, whether they lose such qualifications during their term of incumbency, and whether they comply with the relevant prohibitions.

e) keep under review the strategic direction and leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace.

f) ensure that directors are clearly informed about what is expected of them in terms of time commitment, committee service and involvement outside Board meetings. In cases where the director is a manager or board member in another corporation or renders consultancy services to another corporation, the Committee informs the Board whether this situation causes a conflict of interest and the member hinders his/her duty in the corporation.

g) develop and review the results of the Board performance evaluation process that relate to the composition of the Board and presents to the Board.

#### **Duties and Powers regarding Remuneration**

ARTICLE 8 – (1) Unless a separate Remuneration Committee is created as part of the Board, the duties and powers of the Remuneration Committee envisaged in the corporate governance principles shall be carried out by the Committee. The committee should carry out the duties detailed below, as appropriate. The committee shall:

a) monitor and make proposals regarding the general remuneration system in the Company,

b) Have responsibility for setting the remuneration policy for executive directors and the Company's Chairman, including all financial rights and benefits. The Board should recommend the remuneration of the non-executive directors to the general assembly in accordance with the Articles of Association.

c) work on determining the criteria for performance-based remuneration. Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes and present to the Board.

ç) assist the Board for the proposal to be made to the General Assembly regarding dividend payments to Board members and Company employees.

d) to make proposals to the Board regarding the financial, social and other fringe benefits of the Board members and senior managers of the Company.

e) to determine the manner in which the financial rights and benefits and fringe benefits paid to the Board members and senior managers are reflected in the Company's annual report and to pre-check the information in the report.

f) within the terms of the Remuneration policy and in consultation with the chairman and/or chief executive, as appropriate, recommends the Board the total individual remuneration package of each executive director, the Company chairman and other designated senior executives including bonuses, incentive payments and share options or other share awards.

g) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. The Committee recommends the board to appoint remuneration consultants and commission or purchase reports, surveys or information which it deems necessary within any budgetary restraints imposed by the Board.

h) establish the selection criteria and recommend the selection, appointment and the terms of reference for any remuneration consultants who advise the committee.

i) oversee the policy on contractual terms on termination, and confirm any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognized.

i) oversee any major changes in employee benefits structures throughout the Company.

j) work and liaise as necessary with all other Board committees.

#### **Expenses and Other Matters**

ARTICLE 9 – (1) All sources and support required for the Committee to perform its duties shall be provided by the Board.

(2) The Committee shall arrange periodic reviews of its own performance and, at least annually, review its Directive on the Responsibilities and Working Principles to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

#### **No Provision**

ARTICLE 10- (1) Matters that are not regulated by the present Directive shall be governed by, respectively, the Company's Articles of Association, Capital Markets Law, and the relevant provisions of the Law.

#### **Effectiveness and Enforcement**

ARTICLE 11 – (1) This Directive was approved in the Board meeting dated May 24, 2018 and became effective. The Board is authorized to implement the Directive, make amendments as may be required, construe implicit matters and direct the implementation of this Directive.