

# Corporate Governance Compliance Report



### 1. Corporate Governance Compliance Statement

In spite of the fact that it is not a publicly traded company, Borsa İstanbul A.Ş. (Borsa İstanbul, the Company), shows due diligence in complying with the Capital Markets Board Corporate Governance Principles (Principles) announced by the Capital Markets Board of Turkey in accordance with article 73 of the Capital Markets Law no. 6362. Within this framework, aiming to go public by the end of 2016, Borsa İstanbul management has founded its basic management principles -which define its relations with the shareholders, employees, and other related parties- on equity, transparency, accountability and responsibility. Actually, Borsa İstanbul's current Articles of Association envisages that the Corporate Governance Principles issued by the Capital Markets Board of Turkey will be observed.

Corporate Governance Committee, Audit Committee, and Early Risk Assessment Committee continued to work in accordance with the relevant Directives during 2015. Furthermore, during the year, the information under Corporate Governance and Investors on Borsa İstanbul website was kept updated in accordance with the Informing Policy and arrangements were made for submitting the questions to Investor Relations officials where necessary.

## SECTION I SHAREHOLDERS

### 2. Investor Relations Unit

In spite of the fact that it is not a publicly traded company, Borsa İstanbul carries out its relations with the shareholders through the Strategic Planning and Investor Relations Unit established in June 2014.

The Unit reports to the Executive Vice President responsible for Strategic Planning and Financial Affairs. You can contact the Unit from [investorrelations@borsaistanbul.com](mailto:investorrelations@borsaistanbul.com).

Strategic Planning and Investor Relations Unit is responsible for the general assembly procedures of the company in the Organization Regulation. Within this framework, the procedures prior to, at and following the Ordinary General Assembly meeting held on March 31, 2015 and the Extraordinary General Assembly meeting held on December 7, 2015, were carried out by the Strategic Planning and Investor Relations Unit with the support of the related units.

The questions addressed to the Strategic Planning and Investor Relations Unit were replied in accordance with the Company's Informing Policy. Borsa İstanbul carried out the related procedures and correspondence with the Capital Markets Board and the shareholders regarding the mergers of investment institutions that are Borsa İstanbul's shareholders and requests regarding the transfer of Borsa İstanbul A.Ş. shares between the investment institutions. Within this framework, procedures regarding two share transfer requests were carried out in 2015.

Negotiations with foreign investment funds and investment institutions were carried out for the sales of Borsa İstanbul A.Ş.'s shares for the purpose of establishing strategic partnerships as envisaged by sub-paragraph 6, article 138 of the Capital Markets Law. As a result of these negotiations, transfer of shares registered under Borsa İstanbul to the European Bank for Reconstruction and Development was approved at the General Assembly meeting held on December 7, 2015, and the European Bank for Reconstruction and Development acquired a 10 percent stake of Borsa İstanbul.

Procedures regarding the initial public offering, as envisaged by the Resolution of the Council of Ministers no. 2014/6747 entitled "Public Offering of the Treasury-owned Shares of Borsa İstanbul A.Ş." in accordance with article 138 of the Capital Markets Law are carried out by Borsa İstanbul. The initial public offering process is carried out by, primarily, the Strategic Planning and Investor Relations Unit. The first step was taken with an announcement regarding the selection of the global coordinator and intermediary institution that will underwrite the initial public offering.

Information and disclosure which may influence the use of the rights by the shareholders are displayed on the Company's website.

**Officers responsible for Investor Relations:**  
Osman KÜÇÜKÇINAR, CFO

Alpay AYKUT, Strategic Planning and Investor Relations Unit Manager,  
[alpay.aykut@borsaistanbul.com](mailto:alpay.aykut@borsaistanbul.com), 90 212 298 2276

### 3. Exercising of Right to Information by Shareholders

No discrimination is applied among shareholders on the right to receive and analyze information, and with the exception of information qualified as trade secret; all information regarding the company operations and procedures is shared with the

shareholders. Questions sent by the shareholders to Borsa İstanbul through letter, telephone, e-mail and other similar channels are answered by the authorized staff rapidly and efficiently. The company website offers comprehensive historic and current information and statistics for the shareholders.

Company operations are periodically audited by the independent auditor assigned by the Board as advised to the General Assembly. 2015 operations of Borsa İstanbul are independently audited by Başaran Nas Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and such information is available on the website.

The Company's Articles of Association does not envisage the right to request a special auditor, and no demand to that effect came from the shareholders during 2015.

### 4. General Assembly Meetings

Arrangements regarding Borsa İstanbul General Assembly meetings are envisaged by Borsa İstanbul A.Ş. Articles of Association, which is provided in the Company website. According to the provisions of article 22 of the Company's Articles of Association and article 414 of the Turkish Commercial Code, in order to inform the shareholders beforehand, General Assembly meetings will be announced in the Turkish Trade Registry, on the Company's website, in at least one daily newspaper published in the city where the company is headquartered, on [www.kap.gov.tr](http://www.kap.gov.tr) website and for shareholders that have electronic signature, on the Electronic General Assembly System of Merkezi Kayıt Kuruluşu (e-GKS) at least three weeks before the General Assembly meeting, excluding the date of the announcement and date of the meeting.

General Assembly meetings are realized in consideration of the principles of the Turkish Commercial Code, Capital Markets Legislation and Corporate Governance, in a way to ensure sufficient informing and high participation by the shareholders, and making use of the Electronic General Assembly facility offered by Merkezi Kayıt Kuruluşu.

According to Borsa İstanbul Articles of Association, the Ordinary General Assembly must convene within a period of three months following the end of each

activity period. Extraordinary General Assembly, on the other hand, convenes as required by the Company operations, upon request of the Board, or of minority shareholders in cases envisaged in the Turkish Commercial Code, or the Capital Markets Board.

Borsa İstanbul A.Ş.'s 2015 Ordinary General Assembly meeting was held at Boğaziçi University Ayhan Şahenk Cultural Center on March 31, 2015.

The Ordinary General Assembly meeting was announced in the Turkish Trade Registry no. 8772 dated March 6, 2015, the newspaper Dünya on March 6, 2015, on www.kap.gov.tr on the same date, and on e-GKS. The agenda, notices and the related documents for the Ordinary General Assembly were published in the Company's website on March 6, 2015.

As part of the General Assembly agenda, the annual report, financial statements, corporate governance compliance report, dividend distribution proposal, independent audit reports, informative document on the General Assembly agenda items and the other supporting documents for the agenda items, the latest version of the Articles of Association, modifications proposed on the Articles of Association including the reasons therefor were made ready at Borsa İstanbul's headquarters to ensure access to as many shareholders as possible, and published in the Company's website. The Ordinary General Assembly meeting was open to public, including media companies and beneficiaries.

At the said meeting, shares representing a nominal value of TL 258,374,774.00 (96.51 percent) of the nominal value of TL 267,695,505.00 which will be considered in the calculation of meeting and decision quorum according to article 389 of the Turkish Commercial Code, out of the total nominal value of TL 423,234,000.00 were represented.

In accordance with the Turkish Commercial Code no. 6102, Capital Markets Law no. 6362, and the relevant legislation, the shareholders were allowed to vote electronically. No shares were represented electronically.

At the Ordinary General Assembly meeting, the shareholders used their rights to ask questions, which were answered during the meeting. Furthermore, suggestions regarding the meeting agenda were discussed and determined upon by the General Assembly. At the meeting, modifications on articles 3, 6, 7, 16 and 18 of the Articles of Association were approved, an election was held for the void Board member positions as well as the Board member position allocated in the 2014 Ordinary General Assembly

meeting. Mr. Talat Ulussever was elected as Chairman.

The requirements regarding the announcement of the Ordinary General Assembly meeting dated March 31, 2015 were observed in the Turkish Trade Registry no. 8796 dated April 8, 2015, and was also announced on the Company website.

Following the General Assembly meeting, meeting minutes, list of attendants, agenda items, the old and new versions of the Articles of Association and the modification text, and announcements were presented to the investors for evaluation on the Company website. Following the General Assembly meeting, the required documents were uploaded on Borsa İstanbul's Information Society Services page as envisaged by the Turkish Commercial Code.

Capital Markets Law no 6362 envisages the transfer of some of the shares registered on account of Borsa İstanbul for establishing new partnerships by the end of 2015. In order to ensure the approval of such transfer and that the Articles of Association is modified to allow a strategic partnership agreement, it was necessary to convene an Extraordinary General Assembly meeting before the end of 2015. Consequently, an extraordinary General Assembly meeting was held at Borsa İstanbul's İstinye campus on December 7, 2015.

The Extraordinary General Assembly meeting was announced in the Turkish Trade Registry no. 8946 dated November 13, 2015, the newspaper Dünya on November 12, 2015, on www.kap.gov.tr on the same date, and for shareholders that have electronic signature, on e-GKS.

The agenda, notices and the related documents for the Ordinary General Assembly were made ready at Borsa İstanbul's headquarters to ensure access to as many shareholders as possible, and published in the Company's website on November 12, 2015. The Ordinary General Assembly meeting was open to public, including media companies and beneficiaries.

The informative document on the General Assembly agenda items, the other documents which form the basis of the agenda items, the latest version of the Articles of Association, modifications envisaged in the Articles of Association, the modification text including the grounds for such modification were open for examination by the shareholders at the Company headquarters and website as from the date of the invitation for the General Assembly meeting.

At the said meeting, shares representing a nominal value of TL 256,094,008.00 (95.67 percent) of the nominal value of TL 267,695,505.00 which will be considered in the calculation of meeting and decision quorum according to article 389 of the Turkish Commercial Code, out of the total nominal value of TL 423,234,000.00 were represented.

In accordance with the Turkish Commercial Code no. 6102, Capital Markets Law no. 6362, and the relevant legislation, the shareholders were allowed to vote electronically. No shares were represented electronically.

At the Extraordinary General Assembly meeting, the shareholders used their rights to ask questions, which were answered during the meeting. The General Assembly approved the amendment of article 13 of the Articles of Association and transfer of the shares representing 10 percent of Borsa İstanbul's capital to the European Bank for Reconstruction and Development.

The requirements regarding the announcement of the Ordinary General Assembly meeting dated December 7, 2015 were observed in the Turkish Trade Registry no. 8970 dated December 17, 2015, and was also announced on the Company website.

Following the General Assembly meeting, meeting minutes, list of attendants, agenda items, the old and new versions of the Articles of Association and the modification text, and announcements were presented to the investors for evaluation on the Company website. Following the General Assembly meeting, the required documents were uploaded on Borsa İstanbul's Information Society Services page as envisaged by the Turkish Commercial Code.

##### **5. Voting Rights and Minority Rights**

At Borsa İstanbul, each share is entitled to one vote. Borsa İstanbul applies no practices that may impede the exercising of the voting rights and allows each shareholder to use their voting rights in the most facile manner. Shareholders that have voting rights may directly use such rights or they may as well have a deputy to use such rights in accordance with the

arrangements of the Turkish Commercial Code and the Capital Markets Law. The Company Articles of Association envisages three groups of shareholders, namely, A, B, and C. Attendance in the relevant meeting and affirmative vote of at least one Board member representing A Group shareholders is sought for “proposing amendments on the Articles of Association”, “increasing or decreasing the Company capital”, “all and any contracts of a value in excess of 10 percent of the Company revenues as per the latest independently audited financial statements, and directly or indirectly binding the Company, and all and any decisions taking the Company under commitments of such amounts”, “merger, dissolution or liquidation of the Company”, and “presenting the dividend distribution proposal to the General Assembly”.

As Borsa İstanbul is not a publicly held joint stock company, use of minority rights is subject to the provisions of the Turkish Commercial Code. Borsa İstanbul is not in a mutual affiliation relation with any company.

#### 6. Rights to Dividends

According to Borsa İstanbul Articles of Association, the net profit for the period is the balance after all costs are subtracted. Each year, 5 percent of the annual profit is kept as legal reserves until such amount reaches 20 percent of the capital, and unless otherwise decided by the General Assembly, 5 percent of the balance is distributed as dividends to the shareholders pro rata their share in the company capital.

Furthermore, maximum 5 percent of the balance may be distributed to the Chairman, Board members and Company staff by a method to be determined by the General Assembly, provided that such payments shall not exceed one sixths of their annual gross income, including all payments. In addition to that, an amount to be decided by the General Assembly may be reserved to be distributed to the shareholders as a second dividend. The Board may, if deems necessary, make proposals to the General Assembly for dividend distribution. In such case, 10 percent of the amount to be distributed will be retained as general legal reserves and the balance of the net profit for the period will be retained as legal reserves.

The Company Articles of Association envisages no privileges for participation in the Company profits, with equal rights of dividends for each share.

The Ordinary General Assembly meeting held on March 31, 2015 decided to retain the dividends to strengthen

the Company equity. Such information was announced in the Company website.

#### 7. Transfer of Shares

Borsa İstanbul Articles of Association envisages the following provisions regarding the restriction of share transfer:

a) Sales of public shares through public offering and other similar methods in accordance with the Capital Markets Law will be realized as per the procedures and principles to be determined by the Council of Ministers upon the proposal of the Minister to whom the Treasury Undersecretariat reports.

b) With the exception of those in accordance with sub-paragraphs (a), (b) and (ç), paragraph 6, article 138 of the Capital Markets Law, all transactions that lead to the direct or indirect transfer of control of the Company, even if no share transfer is executed, are subject to the approval of the Capital Markets Board. Share transfers will become valid only after being approved by the Capital Markets Board, decided upon by the Board, and registered in the share register. All transactions that lead to the direct or indirect transfer of shares without the approval of the Capital Markets Board or transfers that lack the relevant Board resolution or that are not registered in the share register are null and void.

c) In order to ensure that the existing shareholding structure is maintained, shares excluding those that belong to A group may be transferred within the same group only. However, these shares may be transferred to the shareholders that belong to the other groups or third parties by the approval of the Capital Markets Board. (A) group shares that exclusively belong to the Turkish Treasury and provide representation rights in the management may not be transferred in any way whatsoever.

d) In the event that a person acquires shares representing 10 percent or more of the capital through direct or indirect ownership of the publicly offered shares, or the shares owned by a shareholder directly or indirectly exceeds 10, 20, 33 or 50 percent of the capital through the acquisition of the shares offered to the public, or falls below such ratios as a result of share transfer, shareholders may use the related rights, with the exception of dividend rights, upon the approval of the Capital Markets Board only. The provisions of this sub-paragraph will also hold for cases where the above mentioned ratios are attained through the acquisition of

the free-floating shares, including the shares acquired off-Exchange.

Council of Ministers' decision regarding the public offering of Borsa İstanbul A.Ş.'s (B) group shares owned by the Turkish Treasury was published in the Official Gazette no. 29175, dated November 14, 2014. The decision envisages that (B) group shares representing up to 42.75 percent of the Company capital, owned by the Treasury of the Republic of Turkey, will be publicly offered by December 31, 2015. As per Borsa İstanbul's application, and approval of the Minister to whom the Treasury Undersecretariat reports, the above mentioned date was extended to December 31, 2016. Authorized to carry out the initial public offering process, Borsa İstanbul initiated the process by a notice on domestic and foreign newspapers and on its website on March 2, 2015. The process for selecting a global coordinator and domestic intermediary institution initiated in March is in progress.

### SECTION III DISCLOSURE AND TRANSPARENCY

#### 8. Informing Policy

Borsa İstanbul Informing Policy is in written form as per Corporate Governance Principles and announced in the Company's website.

Officers responsible for executing Borsa İstanbul's Informing Policy are:

Hüseyin ZAFER; CHRO (Chief Human Resources Officer responsible for Corporate Communications, Human Resources and Support Services)  
Osman KÜÇÜKÇINAR; CFO (Chief Financial Officer responsible for Strategic Planning and Financial Affairs)  
Uğur BATI; Corporate Communications Unit Manager  
Alpay AYKUT; Strategic Planning and Investor Relations Unit Manager.

These officials perform these duties in close coordination with the Board. Press announcements made to written and visual media are made by Borsa İstanbul Chairman, CEO or his deputy, or other Borsa İstanbul staff designated by the Board. The Company's Informing Policy on its website offers detailed information on the media used for informing.

### 9. Corporate Website and its Content

Borsa İstanbul has a website [www.borsaistanbul.com](http://www.borsaistanbul.com) and the information disclosed to the public by Borsa İstanbul is accessible in Turkish and in English on this website.

The website covers the following information regarding Investor Relations:

- Reports
- Corporate Governance
- Relevant legislation
- General Assembly
- Initial Public Offering of Borsa İstanbul A.Ş.
- Contact information for Investor Relations

The Company's Corporate Governance Compliance Report is open to the public, offered under the heading "Reports".

In addition to [www.borsaistanbul.com](http://www.borsaistanbul.com) website, work for another website for the Company's investment relations is in progress, and the website is planned to be launched in 2016.

### 10. Annual Report

Borsa İstanbul annual report is prepared in a way to ensure that the public has access to complete and correct information on the Company activities, in accordance with the legislation.

The annual report includes information on the Company's title, curricula vitae of the Board members for the related period, events that influence the Company's performance, Company's financing resources and risk management policies, information on the exchange business activities and operation of the markets, Corporate Governance Compliance Report, research and development activities, revisions made on the Articles of Association within the period, including the reasons thereof, the quality and activities of the Company's production and service units, the financial status of the Company and other important items.

## SECTION IV STAKEHOLDERS

### 11. Informing the Stakeholders

Borsa İstanbul is required to inform the stakeholders in accordance with its Informing Policy. Corporate Governance practices and ethical rules guarantee the informing of the stakeholders correctly.

Borsa İstanbul Ethical Rules preclude Borsa İstanbul officials from applying any priority, partiality, or inequality in treating investors with real or legal personality, and are required to provide correct, reliable and unbiased information to the media and the public.

The data and information offered by Borsa İstanbul are provided to the investors through the following methods and instruments:

- Websites  
[www.borsaistanbul.com](http://www.borsaistanbul.com)  
[www.bilindiyatirimci.org](http://www.bilindiyatirimci.org)  
[www.listingistanbul.com](http://www.listingistanbul.com)  
[www.bistozelpazar.com](http://www.bistozelpazar.com)  
[www.kap.gov.tr](http://www.kap.gov.tr)

Investor Counseling Center (Serves the investors of the companies traded on Borsa İstanbul)

On the other hand, intranet, which is the internal website for Borsa İstanbul staff, is used actively. Corporate social media accounts are used on a regular basis for informing the public.

In addition, holding the General Assembly meetings open to the public, regularly updated information on the website, detailed annual reports, press bulletins and other practices within the scope of Informing Policy focused on transparency are intended for not shareholders only, but all stakeholders.

During 2015, the following events stakeholders-related events have been held:

a) A total of 24 events aimed at domestic and foreign potential issuers (companies) were organized or participated by Borsa İstanbul. Furthermore, 170 domestic and 59 foreign companies, a total of 229 untraded companies, were visited and offered information on capital markets issues, particularly public offering. 51 companies traded on Borsa İstanbul were visited and informed about the new products and markets. The demands and suggestions of these companies were advised to the relevant units and institutions.

b) 9 events aimed at investment institutions and other client groups were held. A total of 42 visits to or meetings with these institutions were realized.

c) Borsa İstanbul participated in one event related to the data dissemination business area, 2 events related

to the index business area, and 3 events related to the data center services business area. Furthermore, a total of 95 visits/meetings were realized with customers in all business areas.

### 12. Stakeholders' Participation in the Management

The shareholder structure envisaged for Borsa İstanbul A.Ş. by sub-paragraphs (a), (b), paragraph 6, article 138 of the Capital Markets Law no. 6362 is basically aimed at shareholding by stakeholders, and thereby good governance principles to dominate the Company management. Turkish capital markets stakeholders that have become shareholders of Borsa İstanbul A.Ş. through the shareholding structure established according to these provisions participate in the Company management by using the shareholding rights.

It is worth noting that Borsa İstanbul worked in close communication and interaction with the Capital Markets Board of Turkey during 2015. In its decisions, Borsa İstanbul took into consideration the opinions of Merkezi Kayıt Kuruluşu, Takasbank, and the Association of Capital Market Intermediary Institutions of Turkey. The requests and suggestions of the employees and workers' union representatives were also evaluated by the executives.

### 13. İnsan Kaynakları Politikası

Borsa İstanbul depends on its employees for improvement. Human resources policies and processes are designed in a way to attracting capable staff to the Company and improving their skills.

The basic features of Borsa İstanbul Human Resources Policy defined and announced in 2013 are as follows:

- Borsa İstanbul recruitment procedures are regulated by the internal legislation in accordance with the principle of offering equal opportunities to persons of equal qualifications. Recruitment of new graduates is realized through written exams and interviews for ensuring objectivity. In the case of recruitment of experienced staff, on the other hand, independent appraisers evaluate criteria that will contribute to the efficiency such as the candidate's capability of adaptation with the corporate culture and team work inclination in addition to professional skills.

- The most critical factor in planning employee's careers is their success. Nevertheless, the minimum experience requirement for each position is also observed in accordance with the internal regulations.
- All rights awarded to the employees are clearly defined in the internal regulations. The rights envisaged by the legislation are accrued on each employee without any discrimination, and no further payments are made.
- Trainings are organized on a regular basis or on additional basis upon request of the executives. A secure working environment and conditions are provided for the employees, which are constantly improved.
- In order to inform Borsa İstanbul employees about important revision plans on personnel policies, at least one meeting is held annually with the participation of a C-Level Executive, and policies are designed in consideration of the employees' opinions. In order to ensure that the employees' freedom to establish associations and the efficient use of collective bargaining right are observed, for efficient communication purposes, fields are allocated to both the association of the employees and the workers' union on the intranet.

Part of Borsa İstanbul employees are organized in Tez-Koop iş workers' union. The Fourth Collective Agreement between Borsa İstanbul and Tez-Koop iş workers' union, covering the period between January 1, 2014-December 31, 2016 was signed on December 30, 2013. Within the framework of this Agreement, performance evaluation system was introduced in 2014. In consideration of the outcomes and feedback from the employees, efforts to discover the most appropriate system for Borsa İstanbul's corporate culture and mode of operation were initiated in 2015. The revisions in the system are planned to be introduced after the 2016 performance period.

Borsa İstanbul attaches great significance to work security, in consideration of workers' health and security and business continuity. As envisaged by the legislation, a certified labour security specialist and a certified doctor work in Borsa İstanbul's campuses in İstinye and Kuyumcukent.

As envisaged by the legislation, a Labour Health and Security Board consisting of the representatives of the employer, employees and the security unit, as well as the labour security specialist and doctor is established.

The Labour Health and Security Board convenes quarterly and after making the necessary evaluations, ensures that the necessary steps are taken. Within this framework, improvements were made in 2015. It is worth noting that no complaints on discrimination were reported during 2015.

#### 14. Ethical Rules and Social Responsibility

Borsa İstanbul Ethical Rules were prepared and disclosed in 2014. In face of the recent developments, it was required to publish a Regulation Regarding the Principles for Borsa İstanbul Exchange Activities, and the Ethical Rules to be updated. Therefore, the Ethical Rules were reviewed by the Compliance Unit and submitted to Borsa İstanbul Board for approval. Following the approval of the Board, it was submitted to the Capital Markets Board for approval, which is expected to be received in 2016.

Borsa İstanbul's Corporate Social Responsibility Policy and information on social responsibility efforts is available on its website. During the year, Borsa İstanbul spent TL 280,185.46 on donations and TL 727,763.35 on sponsorships. On the other hand, a total of TL 10,236,073.50 was paid for the Substantial Support for National Education Project in 2015, initiated by Borsa İstanbul (İstanbul Menkul Kıymetler Borsası) in 1997. Construction of a total of 432 schools was financed and 394 have been completed.

At Borsa İstanbul's initiative, a "Sustainability Platform" was created with the participation of the Capital Markets Board of Turkey, the Banks' Association of Turkey (TBB), Turkish Capital Markets Association (TSPB), Corporate Governance Association of Turkey (TKYD), Business Council for Sustainable Development Turkey (SKD), Global Compact Turkey, Carbon Disclosure Project (CDP) Turkey, Turkish Industry and Business Association (TÜSİAD), the Turkish Investor Relations Association (TÜYİD), Sustainability Academy and Sabancı University Corporate Governance Forum (CGFT) in 2013. The Platform aims at making evaluations on realizing sustainability efforts in a result-oriented and effective manner, and offering a network for discussion of the joint steps on sustainability.

The Sustainability Guide aimed at companies currently traded or have the potential of being traded on Borsa İstanbul, prepared in November 2014, was published on Borsa İstanbul's website.

## SECTION V BOARD

### 15. Structure and Election of the Board

Principles regarding the establishment and election of the Board are regulated by the Articles of Association of Borsa İstanbul. According to the Articles of Association accepted at the Ordinary General Assembly meeting on March 31, 2014, subject to the provisions of the Turkish Commercial Code, the Board will consist of ten members, with two members elected from among the candidates nominated by A group shares and three members from among C group shares. C group shareholders will be elected by the General Assembly from among the nominees by the Union of Chambers and Commodity Exchanges of Turkey, Turkish Capital Markets Association, and investment institutions.

According to the Company's Articles of Association, term of incumbency, appointment procedures, remuneration, and the number of independent Board members are subject to the arrangements of the Capital Markets Board.

Temporary article 1 of Borsa İstanbul's Articles of Association, prepared by the Capital Markets Board in accordance with article 138 of the Capital Markets Law and which became valid upon the approval of the relevant Minister, envisaged that İbrahim M. Turhan would be the first Chairman & CEO of the Company for a term of three years. İbrahim M. Turhan resigned from both positions on February 10, 2015. Therefore, Deputy Chairman Osman Akyüz assumed the position of Acting Chairman, and CHRO Hüseyin Zafer, that of Acting CEO until the General Assembly meeting held on March 31, 2015.

The amendment on the Articles of Association at the Ordinary General Assembly meeting on March 31, 2015 envisaged the Board to assign one of its members as CEO. At the said meeting, Talat Ulusever was elected as Chairman; and Tuncay Dinç and Halil Tunalı, as Board members. The Board elected Tuncay Dinç as CEO.

The Company Board consists of ten members, and excluding the CEO, all are non-executive. The curricula vitae and terms of incumbency are given on Borsa İstanbul website. Board members are listed below:

Member	Dependent/ Not Dependent	Corporate Governance Committee	Audit Committee	Early Risk Assessment Committee
Talat ULUSSEVER (Chairman)	Independent			
Osman AKYÜZ (Deputy Chairman)	Not Independent			
Tuncay DİNÇ	Not Independent			
Mustafa BÜYÜKABACI	Independent	Chairman	Member	
Seyit Ahmet İŞKİN	Independent		Chairman	
Melikşah UTKU	Independent		Member	Chairman
İlhami KOÇ	Not Independent			
İşinsu KESTELİ	Not Independent			
Murat TACİR	Not Independent			Member
Halil TUNALI	Not Independent	Member		

During the incumbency of the independent Board members, there were no events to revoke their independence.

#### 16. Working Principles of the Board

According to Borsa İstanbul Articles of Association, the Board convenes as frequently as necessary, but no less than once a month. The meetings are held at the Company headquarters or another venue which the Chairman may deem fit. Those authorized to participate in the Company Board meetings may as well participate in these meetings electronically as envisaged in article 1527 of the Turkish Commercial Code.

The quorum for a Board meeting is the majority of the members and takes decisions with the affirmative votes of the majority of the members present.

This rule holds for electronic voting as well. Chairman, or in his absence, deputy chairman chairs the Board meetings. Abstention is not allowed. Board members may not vote on behalf of each other, or by proxy. In the case of equality of votes, the item will be left for discussion in the following meeting. If the votes are equal in the next meeting, the relevant proposal shall be deemed to be rejected. The rights of the Board members representing A group privileged shares are explained in the Voting Rights and Minority Rights section hereof.

Unless any member requests that a meeting is held physically, Board resolutions may be taken by the written approval of or by secure electronic signature via the Electronic Meeting System of the majority of the members of a proposal of one of the Board members, written in the form of a resolution text. Resolutions are valid only if they are written and signed.

Borsa İstanbul Board made resolutions for 43 times in 2015. 16 of these were made without physical meeting, and 27, in physical meetings.

Board meeting dates are determined and announced monthly and reasonably in advance. Board agenda is determined on the basis of the motions prepared by Borsa İstanbul units.

The operations and procedures of the Board are carried out by the Chief of Staff. Board resolutions are registered in the Board resolution book, including dissenting opinions, if any. Resolutions regarding the companies traded on Borsa İstanbul are disclosed through the Public Disclosure Platform if required by the capital markets regulations.

According to Borsa İstanbul Articles of Association, approval of the General Assembly is required for the Board members to engage in commercial activities with the Company. Provisions of article 395 of the Turkish Commercial Code are applicable in this regard.

#### 17. Number and Structure of the Committees established in the Board and their Independence

Borsa İstanbul established the Audit, Corporate Governance, and Early Risk Assessment Committees. Directives concerning the principles and procedures of operation of these Committees were prepared and disclosed through the Company website. As a Nominating Committee and Reimbursement Committee have not been established due to the structure of the Board, Corporate Governance Committee carries out the tasks of this Committee.

The Committees convene at the Company headquarters on a regular basis, and may hold extra meetings upon the invitation of the Committee Chairman, where necessary. Committee members or Board Chairman may invite the Committee to convene if needed. New articles can be added in the agenda subject to the affirmative vote of the majority of the members. Committees may, if they deem necessary, invite Company managers or specialists to request their opinions.

Some independent members assume roles in more than one committee in order to contribute to the communication and interaction among the committees.

#### Corporate Governance Committee:

Without prejudice to the provisions of article 138 of the Capital Markets Law, the purpose of the Corporate Governance Committee is to determine whether the corporate governance principles determined by the Capital Markets Board for exchanges according to article 73 of the Capital Markets Law are observed, and in the case of failure to observe such principles, the reasons therefor, the conflicts of interest arising from the failure to fully comply with such principles, and to advise the Board for enhancing corporate governance practices and to accomplish the duties of the Nominating Committee and Reimbursement Committee as envisaged by corporate governance principles. Mustafa BÜYÜKABACI (Chairman), Halil TUNALI and Hüseyin ZAFER are members of the Committee.

**Audit Committee:**

The Audit Committee is aimed at providing assistance on the Board's auditing of the quality and correctness of Borsa İstanbul's financial statements, monitoring the application and efficiency of the accounting system, pre-approving the appointment of the independent auditor and the services to be provided by the same, preparing and controlling the agreement to be signed between Borsa İstanbul and the independent auditor, and monitoring the Company's independent audit system, control and internal audit mechanisms. Seyit Ahmet İŞKİN (Chairman), Mustafa BÜYÜKABACI and Melikşah UTKU are members of the Committee.

**Early Risk Assessment Committee:**

The purpose of the Early Risk Assessment Committee is to work on the early determination of the risks which may jeopardize the existence, development and continuity of the Company, implementing the preventive measures for the risks so determined, and for managing risk. Melikşah UTKU (Chairman), Murat TACİR, Çetin Ali DÖNMEZ and Osman KÜÇÜKÇİNAR are members of the Committee.

**18. Risk Management and Internal Control Mechanism**

The Board operates in a transparent, accountable, fair and responsible manner, creates the risk management practices that will diminish the effects of the risks that Borsa İstanbul is prone to, and determines the internal control policies for all the critical processes of the institution. Information on the effectiveness of the risk management and internal control systems is provided in the annual report.

In line with Borsa İstanbul A.Ş. Early Risk Assessment Committee Responsibilities and Working Principles Directive, an Early Risk Assessment Committee was established. The Committee consists of two members elected from among the Board members and two C-Level Executives. During 2015, the Committee convened on a regular basis. Prior to the Committee meetings, meetings with pre-determined Borsa İstanbul Units, chaired by the Committee-member C-Level Executive were held. Borsa İstanbul's Units' assessment of the realized or expected risks and measures taken against such risks were discussed at these meetings, and reported to the Committee.

Borsa İstanbul also acquired a Bankers Blanket Bond (a comprehensive insurance policy for financial institutions) and an insurance policy against information systems crimes. These insurance policies cover the risks which may arise from fraudulent acts and information systems crimes against Borsa İstanbul.

**19. Company's Strategic Targets**

As part of the studies to renew Borsa İstanbul's strategic plan covering five-year periods on an annual basis, Borsa İstanbul completed the analysis studies for the new five-year period covering 2015-2019, defined new projects, and updated the projects in progress. Information on Borsa İstanbul's achievement on strategic targets, activities and past year performance is regularly reported to the Board.

Borsa İstanbul continued to apply performance-based budget in 2015. Thanks to the performance based budget, prepared in line with Borsa İstanbul's current structure, all departments were ensured to actively participate in the budget process and prepare detailed projections regarding the income and expense items directly related with them.

Within the scope of strategic targets, the Strategic Planning and Investor Relations Unit informs the Board on the budget, market developments, and strategic projects on a monthly basis. Presentations on the budget, market developments, and strategy projects are delivered to Borsa İstanbul top executives, in addition to the Board meetings.

**20. Financial Rights**

As envisaged in Borsa İstanbul reimbursement Policy, financial benefits to be offered to the Chairman and members of the Board in the form of remuneration, fees, premiums, and bonus payments, facilities offered in kind and in cash, dividend payments and other similar rights must be determined by the General Assembly on an annual basis. Furthermore, any travel, accommodation and entertainment expenses and insurance and other similar guarantees are determined by the Board. Board Chairman and members, their spouses, children and persons they are responsible for benefit from health services under the same conditions as the employees. Each Borsa İstanbul Board member was paid a monthly net fee of TL 9,700 in 2015.

Borsa İstanbul's reimbursement policy was announced on the Company website.

There were no transactions which may lead to conflicts of interest, such as directly or indirectly extending loans or credits to or offering guarantees for Board members or Company managers.