

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Company is committed in terms of compliance with the four principles of corporate governance based on Transparency, Fairness, Responsibility and Accountability.

The Company complies with the compulsory principles stipulated in the Corporate Governance Communiqué ("Communiqué") no. II-171.

However, complete compliance has yet to be achieved due to difficulties faced in the implementation of certain non-compulsory principles, the ongoing debate on the international platform and in our country concerning compliance with some principles, and the incompatibility between certain principles and the structure of the Company and the market. Developments on the relevant issues are monitored and the work in respect of compliance is ongoing.

In 2018, in accordance with the legislation, the Company provided the investors and analysts with all information that is important enough to affect the investment decisions in due time in a transparent, stable and regular manner and simultaneously, regularly updated the Investor Relations website and participated in investor meetings and conferences, ensuring continuous and optimal communication with investors and analysts. Developments related to legislation were closely followed and the necessary actions were taken.

Sensitive to their social responsibilities, the Company complies with regulations related to environment, consumer, and public

health as well as ethical rules. The Company supports and respects international human rights.

SECTION II - SHAREHOLDERS

2.1 Investor Relations Department

At the Company, the Investor Relations Department operates under the coordination of the CFO, Barış Oran and reports to the Head of the Department of Financial Affairs, Accounting and Investor Relations, Levent Demirağ, who is also a Corporate Governance Committee. Investor relations obligations are fulfilled by Şerafettin Karakış, Director of Financial Affairs and Investor Relations.

Corporate Governance Committee Member Levent Demirağ and Rapporteur of the Corporate Governance Committee Şerafettin Karakış have Advanced Level Capital Markets Activities License as well as Corporate Governance Rating License.

The Investor Relations department may be reached via phone +90 212 385 81 64 and fax +90 212 280 66 15.

The Investor Relations Department is responsible for the following within the framework of Corporate Governance Principles:

- properly, securely and timely keeping records of correspondence between the investors and our Company as well as other information and documents,
- responding to the written information requests of the shareholders concerning our Company,
- preparing documents that are needed to be presented to the shareholders' information and reviewing regarding the General

Assembly Meeting and taking the measures required to ensure that the General Assembly Meeting is held in accordance with the relevant legislation, the Articles of Association and other in-house regulations,

- observing and monitoring the fulfillment of obligations arising from capital market legislation, including all issues related to corporate governance and public disclosure and carrying out the necessary procedures. In 2018, all responsibilities within the framework of these tasks were successfully fulfilled.

Furthermore, Şermin Mutlu (smutlu@sabanci.com) serves as the Director at the Investor Relations Unit under the coordination of the CFO Barış Oran. She may be reached via phone +90 212 385 81 50 and fax +90 212 280 66 15.

The Department of Planning, Reporting and Financing regularly informs the shareholders and potential investors about the Company's activities, financial status and strategies with the exception of confidential information and trade secrets without causing information asymmetry.

Sabancı Holding Investor Relations Unit operates on a global scale. In 2018, the Department of Planning, Reporting and Financing contacted investors and analysts in Turkey and abroad by means of face-to-face meetings, phone calls and e-mails.

2.2 Shareholders' Right to Information

All information with the exception of trade secrets is shared with the shareholders within the framework of the right to information of the shareholders and they are provided with first-hand information on strategies and activities.

In 2018, the Investor Relations Unit responded to inquiries received from shareholders via phone, e-mail, and face-to-face meetings and the information that would be of interest to the shareholders was announced on the website during the mandatory notification processes.

The Company's Articles of Association does not regulate the appointment of a private auditor as a right. In 2018, no such request was not received from the shareholders.

2.3 General Assembly Meetings

Regulations regarding the Company's General Assembly Meetings were set forth in the "Hacı Ömer Sabancı Holding Anonim Şirketi Internal Directive on Ordinary and Extraordinary General Assembly's Working Principles and Procedures" that is available on the Investor Relations website's Information Society Services pages. Furthermore, the disclosures and documents to be shared with the public via the Public Disclosure Platform ("KAP") before and after the General Assembly were also shared under the title "General Assembly" in Investor Relations section of the Company's Investor Relations website.

The Company's 2017 Ordinary General Assembly Meeting was held on 30 March 2018 at Sabancı Center, 4. Levent, Beşiktaş, İstanbul.

As provided for in the applicable legislation and the Articles of Association, the call for the General Assembly including the agenda was made at least three weeks before the date of the General Assembly Meeting and published in the Turkish Trade Registry Gazette (issue no. 9527 dated 1st March 2018), Company's website (www.sabanci.com), Electronic General Assembly System of the Central Registry Agency according but not limited to the procedures stipulated by the legislation by all means of communication, including electronic communication which enables access to the maximum number of shareholders possible. All information on the General Assembly including the annual report and financial statements were made

available for the examination of the shareholders both physically at the Company headquarters and on the website.

For the representation of the shareholders at the General Assembly; Electronic General Assembly System was used. Moreover, proxy form to be approved by the notary public pursuant to the provisions of the Communiqué no. II-30.1 of the Capital Markets Board was made available at the Company's headquarters and on the website.

Thus, the participation of the shareholders entitled to attend the General Assembly Meetings whose shares are kept by way of dematerialization before the Central Securities Depository of Turkey, or their representatives representing them by means if a notary approved power of attorney at the General Assembly either in person or through the Electronic General Assembly system by using their secure electronic signatures was ensured and in doing so, the General Assembly followed procedures facilitating participation in the easiest way with the lowest cost without giving rise to any inequality among the shareholders.

At the General Assembly Meeting, agenda items are decided by open vote by show of hands.

The Company's Ordinary General Assembly Meeting was held with a participation rate of 60.23% corresponding to 122,906,225,649.80 shares with a total nominal value of TL 1,229,062,256.498 of the total nominal value of the Company of TL 2,040,403,931.00.

The Members of the Board of Directors, Company Auditor, Secretary General, and the personnel taking part in General Assembly preparations participated in the General Assembly. However, the stakeholders except for the shareholders and the media did not participate in the meeting.

The main agenda items of the meeting were as follows: 2017 Annual Report, information about the Auditor Reports and Financial Statements,

release of the Members of the Board of Directors, amendment of the profit distribution policy, determination of the use and method of distribution of profit in 2017, information on the donations and aids of 2017, determination of the donation limit for 2018, election of the Members of the Board of Directors, determination of the remuneration of the Members of the Board of Directors, amendment of the Article entitled "Capital" of the Company's Articles of Association in order to extend the validity period of the upper limit of registered capital, authorization of the Members and the Chairman of the Board of Directors to perform the transactions stipulated in the Articles no. 395 and 396 of the Turkish Commercial Code.

At the General Assembly Meeting; the shareholders were informed about the fact that the Company made a donation of TL 892,075 in 2017 to the non-profit organizations, and by the majority of the votes it was determined that the limit of the donations to be made in 2018 shall be 1% of the commercial profit.

During the General Assembly, the shareholders exercised their rights of dissenting opinion and making suggestions. The dissenting opinions pronounced at the General Assembly and the relevant explanations were made available to the shareholders and all stakeholders on the Company website. The meeting minutes of the General Assembly were publicly disclosed via Public Disclosure Platform, and all announcements, letters and documents regarding the General Assembly were submitted to the information of the shareholders and all stakeholders on the Company's website.

It did not come into question that the shareholders having control over the management, the members of the Board of Directors, managers with administrative responsibilities, and their spouses, and their relatives by blood and marriage up to the second degree made any important transaction which would cause a conflict of interest with our Company

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

or its subsidiaries and/or, on their behalf or someone else's behalf, made any commercial transaction involving the field of operation of our Company or its subsidiaries, or, joined another company, dealing with the same type of commercial business, as a partner with unlimited liability ("unlimited partner"). The persons, except the ones mentioned above, who have the opportunity to access the Company information, did not make any transaction on their behalf that was within the scope of the subject of activity of the Company.

2.4 Voting Rights and Minority Rights

According to the Company's Articles of Association, the Company does not have any privileged shares and each share has one voting right.

Minority shareholders and stakeholders are not represented at the Board of Directors. The Company places importance on the exercise of minority rights in accordance with the Turkish Commercial Code and CMB regulations and no criticism and complaints were received regarding this matter in 2018.

However, there are three independent Board Members at the Board of Directors to represent all shareholders and stakeholders equally, minority shareholders in particular.

2.5 Right to Dividend

According to the Profit Distribution Policy approved at the Company's Ordinary General Assembly Meeting held on March 30, 2018; dividend was determined within the framework of the provisions of the Turkish Commercial Code, Capital Markets Legislation, other relevant legislation and the relevant article of the Company's Articles of Association regarding profit distribution; and in

line with the Company's medium and long-term strategies, investment and financial plans; and by considering the economic situation of the country and the sector; and by maintaining the balance between the shareholders' expectations and the Company's requirements.

In accordance with the decision taken at the General Assembly, the Company adopted the principle of determining the amount of dividends to be distributed. With regards to the dividend distribution, it was adopted in principle that the shareholders be distributed dividends in cash and/or as bonus shares up to 20% of the distributable profit for the period, and not less than 5% of the distributable profit for the period. The implementation of this policy is determined by the General Assembly in accordance with the medium and long-term strategies of Hacı Ömer Sabancı Holding A.Ş. and the national and global economic conditions.

The Company does not have any advance dividend distribution policy.

Following the approval of the General Assembly, dividends shall be distributed equally to all of the current shareholders based on the ratio of their shares regardless of the date of issue and/or acquisition within the statutory period on the date determined by the General Assembly.

The General Assembly may decide to transfer a portion or the entire amount of the net profit to extraordinary reserves. If the Board of Directors proposes the General Assembly not to distribute the profit, the reasoning behind this and the planned use of the undistributed profits is disclosed to the shareholders during the General Assembly Meeting.

Taking into account the provisions of the relevant legislation and the Articles of Association; at the Company's Ordinary General Assembly Meeting held on March 30, 2018;

- it was decided that TL 612,121,179.30 – with the ratio of 30% (gross) and 25.5% (net) – be paid to the shareholders who represent TL 2,040,403,931 of the capital,
- TL 27,401,893.99 be paid in cash to Hacı Ömer Sabancı Foundation(gross),
- the remaining amount be set aside as extraordinary reserves and that the cash dividend payments be started on April 3, 2018.

The Dividend Distribution Policy was publicly disclosed in the annual report and on the Investor Relations website. Annual profit distribution proposal is made available in the information document of the General Assembly, submitted to the information of the shareholders at the General Assembly and publicly disclosed via Investor Relations website.

2.6 Transfer of Shares

The Company's Articles of Association does not contain any provision limiting the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Contents Thereof

The Company's corporate website is www.sabanci.com and the Investor Relations pages are available on the corporate website both in Turkish and English. The Company's Investor Relations website is reviewed and revised within the framework of the heading "2.1 Corporate Website Contents" specified in the "Corporate Governance Principles to be taken as basis" enclosed to the CMB Corporate Governance Communiqué (11.171).

Within this scope, it is ensured that the information and documents stipulated in the legislation are accessible.

Some of the headings on the website are as follows:

- Detailed information about corporate identity,
- Vision and main strategies,
- Information about the Board of Directors and senior management,
- Company's organization and shareholding structure,
- CMB Material Disclosures,
- Articles of Association of the Company,
- Trade registry information,
- Financial information,
- Press releases,
- Meeting date of the General Assembly, agenda, disclosures about the agenda items,
- Minutes of the General Assembly Meeting and list of attendance,
- Corporate Governance practices and compliance report,
- Dividend policy, its history and capital increases,
- Information policy,
- Anti-Corruption and Anti-Bribery Policy.

3.2 Annual Report

The Company's Annual Report is prepared and publicly disclosed in accordance with the provisions of the Regulation on the "Minimum Required Content of the Companies' Annual Reports" published in the Official Gazette no. 28395, dated 28 August 2012, the periods stipulated in the Communiqué (II- 14.1) on the "Principles Regarding Financial Reporting in the Capital Markets" and the Corporate Governance Principles.

The annual report is approved by the Board of Directors and it is publicly disclosed together with the financial statements of the Board of Directors. The annual report is also published on the Company's website.

SECTION IV - STAKEHOLDERS

4.1 Informing the Stakeholders

Regarding the issue of informing the stakeholders, the Company takes as a

basis the Information Policy published in the Public Disclosure Platform (KAP) on January 15, 2015.

Stakeholders are informed on the developments about the Company through public disclosures made in accordance with the relevant legislation. Public disclosures are made through press conferences and media statements. On the other hand, General Assembly Meetings and provision of detailed information on the Company's website, comprehensive preparation of the annual report, press releases and information policy based on transparency ensure that not only the shareholders but also all stakeholders are informed.

Additionally, company employees are informed via e-mail, training programs, seminars and meetings which cover their fields of expertise or general areas of interest. There is also a portal available for the employees and they can access any information or document of interest via this portal.

Stakeholders can submit the activities that are not in compliance with the legislation and the Company's ethical rules to the Audit Committee and Ethics Department via the e-mail address of etik@sabanci.com on the Company website.

The Audit Committee and/or the Corporate Governance Committee are informed if and when required.

4.2. Stakeholders' Participation in Management

Employees' participation in management is ensured by organizing regular periodic meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees may provide their feedbacks to the management as well as to their colleagues through the 360 degrees feedback mechanism, and the results are discussed in various management meetings and action plans are prepared for the necessary changes. Thanks to these approaches, employees are given the opportunity to make the necessary

participation and contribution to ensure effective management of the Company. Communication channels are always kept open for other stakeholders (suppliers, business partners, etc.) as well.

4.3 Human Resources Policy

The Company has not received any complaint in respect of discrimination from the employees in 2018 and before.

The Company respects and complies with the rules of law and private law, if any, such as collective agreement. The Company pays due diligence to protect and pay all claims of the employees from the start of the employment contract until the termination thereof.

Detailed information on Human Resources policies are available on pages 32 to 37.

4.4. Ethical Rules and Social Responsibility

The Company has already established rules of business ethics, and started to implement them. Rules of business ethics are disclosed to public by being published on the corporate website. The employees are informed about these rules through the Company's internal communication portal, printed booklets which are distributed to all employees, and by organizing training programs. Additionally, all employees update their knowledge about the rules of business ethics through an e-learning program at the end of each year, and fill out a "Business Ethics Compliance" form to declare their commitment to the rules of business ethics.

Detailed information on Sabanci Foundation is available on pages 82 to 93 of the annual report under the heading "Foundation."

SECTION V - BOARD OF DIRECTORS

5.1 Structure and Composition of the Board of Directors

The procedures and principles concerning the Company's Board of Directors structure, duties,

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

management right and representation authority etc. are decided upon in accordance with the provisions stipulated in the Company's Articles of Association.

The Company is managed and represented by a Board of Directors consisting of minimum 7 and maximum 15 members elected by the General Assembly in accordance with the provisions of the Turkish Commercial Code and Capital Market Legislation.

The minimum qualifications to be sought for the Members of the Board of Directors are not provided for in the Articles of Association. However, the qualifications of the Members of the Board of Directors of the Company comply with the required qualifications set forth in the relevant articles of the CMB Corporate Governance Principles. Three of the members of the Board of Directors are independent members determined in accordance with the CMB Corporate Governance Principles and regulations on Corporate Governance. The independent members of the Board of Directors have declarations of independence. There is no circumstance eliminating the independence as of the related activity period.

The Members of the Board of Directors may be elected for a maximum term of office of three years and re-election of the members whose term of office has expired is permissible. If a membership is vacated for any reason, at its first meeting, the Board of Directors elects a new member and submits him/her to General Assembly's approval. This member completes the remaining term of his/her predecessor. On the basis of the General Assembly's decisions, Board Members are authorized to perform transactions pursuant to the Articles 395 and 396 of the Turkish Commercial Code.

Information on the Members of the Company's Board of Directors elected at the General Assembly Meeting of March 30, 2018 as well as their duties in other companies and organizations are summarized below:

Güler SABANCI **Chairman and Executive Member**

Güler Sabancı was born in Adana, and graduated from Boğaziçi University, Department of Business Administration. She has held various executive roles in the Group and currently serves as Chairman and Executive Member of Sabancı Holding. She is also the Founding President of Sabancı University, Chairman of the Board of Trustees of Sabancı Foundation and Chairman of Sakıp Sabancı Museum.

Erol SABANCI **Vice Chairman (Executive)**

Erol Sabancı was born in Kayseri in 1938 and completed his undergraduate education at Manchester College of Commerce in the UK. In addition to his position as Vice Chairman of Sabancı Holding, he is Honorary Chairman and Consultant to the Board. Mr. Sabancı has served as Board Member at Akbank since 1967. He is married and has two children.

Sevil Sabancı SABANCI **Board Member**

Sevil Sabancı Sabancı was born in Istanbul in 1973, and graduated from Marmara University, Department of Business Administration (English). She worked in different positions within the Group and has served as a Member of the Board of Directors since 1997. Ms. Sabancı is also a Member of the Board of Trustees of Sabancı University and Board Member at Sakıp Sabancı Museum.

Serra SABANCI **Board Member**

Serra Sabancı was born in Adana in 1975 and graduated from University of Portsmouth, and Istanbul Bilgi University, Department of Economics, where she graduated as top student in her class. Having worked at Temsa, Serra Sabancı participated in Institute of Directors (IOD) seminars and courses on Board Membership, Mergers and Acquisitions in London after becoming a Board Member at Sabancı Holding. In addition, she is a Member of the Board of Trustees at Sabancı Foundation and Board Member of various Sabancı Group companies.

Suzan Sabancı DİNÇER **Board Member**

Suzan Sabancı Dinçer received her BA in Finance from Richmond College in the UK. She also holds an MBA from Boston University in the USA. Suzan Sabancı Dinçer began her banking career in 1986 and went on to join Akbank as Executive Vice President in charge of Treasury. In 1997, she was named Executive Board Member for Treasury and International Banking Relations. Mrs. Sabancı Dinçer was appointed Executive Board Member to oversee the bank-wide change and transition program in 2001. Mrs. Sabancı Dinçer is a Member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board. She is also a Member of Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council and an Emeritus Member of the Harvard Business School's Middle East and North Africa Advisory Board. Mrs.

Sabancı Dinçer is a Member of the Global Board of Advisors at the Council on Foreign Relations (CFR) and a Member of the Board of Managing Directors. Currently serving as Akbank Chairperson, Mrs. Sabancı Dinçer is married and has two children.

Mehmet GÖÇMEN **Board Member and CEO**

Mehmet Göçmen was born in Bursa in 1957. He graduated from Middle East Technical University, Department of Industrial Engineering in 1981, and received his Master's degree from Syracuse University, Department of Industrial Engineering in 1983.

After holding a number of positions at Çelik Halat and Lafarge, Mr. Göçmen served as General Manager at Akçansa from 2003 to 2008. He was appointed President of the Human Resources Group on August 1, 2008 and held this position until 2011. Mr. Göçmen was named President of the Cement Group on July 20, 2009 and served in this role until September 1, 2014. After serving as Energy Group President between June 16, 2014 and March 30, 2017, Mr. Göçmen was appointed CEO and Member of the Board of Directors at Sabancı Holding on March 30, 2017. Mehmet Göçmen is married and has two children.

Nafiz Can Paker **Independent Board Member**

Nafiz Can Paker was born in Istanbul in 1942. He received his undergraduate degree from Technical University of Berlin, MBA from Columbia University in 1973, and his PhD in Mechanical Engineering from Yıldız Technical University. Beginning in 1971, he assumed top management positions at Türk Henkel A.Ş. and served as General Manager of Türk Henkel from 1984 to 2004. Currently, Mr. Paker still heads B.O.Y. Consulting which he established in 2004.

Mr. Paker has served as Member of Sabancı Holding Board of Directors, Sabancı University Board of Trustees, Dedeman Holding Board of Directors, Golden Horn Ventures Board of Directors, TÜSİAD (Turkish Industry & Business Association) Board of Directors, TÜSİAD Court of Honor,

Istanbul Culture and Arts Foundation Board of Directors, and Robert College Board of Trustees. He was also Chairman of the Board of Directors of Turkish Economic and Social Studies Foundation (TESEV) between 1997 and 2015.

Mr. Paker currently serves as Chairman of the Board of Directors at Inovent Fikri Mülkiyet Hakları Yönetim Ticaret ve Yatırım A. Ş. (İnovent Intellectual Property Rights Management, Trade and Investment). He is a Member of Akbank's Board of Directors, and Founding Member of the Public Policy and Democratic Studies Association (PODEM). Mr. Paker is married and has one child.

Ahmet Erdem **Independent Board Member**

Ahmet Erdem is a graduate of Istanbul Technical University, Department of Civil Engineering. He also studied Engineering Management at Istanbul University, Institute of Management. From 1990 onwards, he assumed senior positions at Shell's Turkey, Middle East and Europe operations. In 2006, Mr. Erdem performed a major role in establishing the Shell & Turcas joint venture.

He was appointed Shell Kenya Country President for the period 2008-2009, and currently serves as Shell Turkey Country President. Aside from his responsibilities at Shell, Mr. Erdem also serves as Chairman of the International Investors Association (YASED); Petroleum and Petroleum Products Industry Council President at TOBB (Union of Chambers and Commodity Exchanges of Turkey); Independent Board Member at Sabancı Holding; Board Member at Oil Industry Association (PETDER), Foreign Economic Relations Board (DEİK), Energy Efficiency Association (ENVER); and Advisory Board Member at British Chamber of Commerce.

Mehmet Mete Başol **Independent Board Member**

Mehmet Mete Başol was born in 1957. He received a BSc in Economics from Arizona State University. Mr. Başol started his professional career in 1984 at Interbank. In 1988, he was

named Treasury, Fund Management and Foreign Relations Manager at Turk Merchant Bank, established as a joint venture between Bankers Trust Co. New York and İşbank. In 1992, he became Assistant General Manager, assuming the responsibility of the Capital Markets Group as well. In 1995, Mr. Başol was appointed Board Member and Credit Committee member at the bank, which was acquired by Bankers Trust. From 1997 to 2001, he served as Chairman and General Manager of the bank, which was renamed Bankers Trust A.Ş. Between 2001 and 2003, Mr. Başol took office as Managing Director of the Public Banks Joint Executive Board (T.C. Ziraat Bankası, T. Halk Bankası, T. Emlak Bankası). Subsequently, he provided financial and administrative consultancy services to SMEs at Tridea Consultancy, which he established with two partners. After 2009, Mr. Başol continued to deliver his consultancy services under his own company.

Currently, Mr. Başol is a Board Member at Enerji Yatırım Holding A.Ş. (2015), Eneya Gaz Dağıtım A.Ş. (2015), Eneya Gaz Ticaret A.Ş. (2015), Nural Yatırım Bankası A.Ş. (2014) and Independent Board Member at H.Ö Sabancı Holding (2018) and ENKA İnşaat ve San. A.Ş. (2018).

5.2. Operating Principles of the Board of Directors

The Board of Directors convenes as frequently as required to efficiently fulfill its duties. The Board operates in a transparent, accountable, fair and responsible manner, and while doing so it always considers the Company's long-term interests.

Every year, the Members of the Board of Directors elect a chairman and a deputy chairman who will be the acting chairman in the absence of the chairman for the meetings. The Chairman of the Board of Directors determines the agenda of the Board of Directors' meetings by taking the opinions of the other members and the CEO. The determined agenda and the contents of the agenda items are communicated in writing

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

to the Board Members one week in advance in order to enable them to carry out the necessary assessments and works. The agenda items of the Board of Directors' meetings are discussed explicitly and in every aspect. The Chairman of the Board of Directors is obligated to show the maximum effort for ensuring effective participation of the non-executive members in the meetings.

The meeting days and agenda are regulated by the chairman or the deputy chairman.

The Board of Directors convenes as necessitated by the Company affairs upon the chairman's or deputy chairman's call for the meeting. The meeting date may be determined with the decision of the Board of Directors as well. In case the chairman or the deputy chairman does not call the Board of Directors for the meeting upon the request of one of the members, then the members will be entitled to make a call for the meeting ex-officio.

The Board of Directors must convene at least four (4) times a year.

Unless one of the members makes a request for a meeting that will be held physically, the decisions of the Board of Directors can be taken by means of getting the written approvals of the other members for another member's proposal regarding a certain issue.

Meeting and decision quorums of the Board of Directors are subject to the provisions of the Turkish Commercial Code.

The Board of Directors of the Company held 6 meetings between 01 January 2018 and 31 December 2018. At the Board meetings, each member had 1 vote, and unanimous consent was sought while resolving matters and the Board always complied with Corporate Governance Principles. All Board Members, excluding those who were excused, attended all the Board meetings. Since the Board Members did not have any questions regarding these matters, they are not recorded in the meeting minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2018.

In 2018, the Board Members neither engaged in any business with the Company nor attempted to conduct a business falling within the Company's fields of operation.

5.3 Number, Structure and Independence of the Committees Established within the Structure of the Board of Directors

According to the Company's Articles of Association, the Board of Directors establishes a sufficient number of Committees ("Committee") in order to fulfill the required tasks and responsibilities properly.

The liabilities of the "Nomination Committee" and the "Remuneration Committee" stipulated in the Article 4.5.1 of the Communiqué are undertaken by the "Corporate Governance Committee." Moreover, although the Company pays special attention to comply with the recommendation set forth in the Article 4.5.5 of the Communiqué providing that "Members of the Board of Directors cannot assume duties in multiple Committees;" since the Committee membership requires

professional expertise, members of our Board of Directors can be a member in multiple Committees.

Corporate Governance Committee

Corporate Governance Committee aims to maintain the continuity of the management process based on the ethical values of the Company, having internal and external accountability, risk awareness and that is transparent and responsible in its decisions and oversees the benefits of the stakeholders and has a sustainable success goal.

The duty of this Committee is to make suggestions and recommendations to the Board of Directors with regard to establishing the Corporate Governance Principles in line with the principles of the CMB or other internationally recognized Corporate Governance Principles.

Corporate Governance Committee, including the President, is composed of maximum five Members, and two Rapporteurs appointed by the Board of Directors of the Company in accordance with the "Corporate Governance Principles" of the CMB. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among the independent members.

Should the position of Chairman of the Committee become vacant for any reason, the Chairman of the Board assigns one of the Committee Members as temporary Chairman until the new Chairman is appointed at the next Board meeting.

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles within the Company, and if these principles are not implemented, the Committee

makes suggestions for improvement to the Board of Directors. The Committee oversees the activities of the Investor Relations Department. Alongside the determination of the principles and evaluation of the performance and remuneration of the Board of Directors and Senior Executive Managers, the Committee submits the independent candidate member proposals to the Board of Directors by evaluating the independence qualifications of the candidates, also taking into account the candidates nominated by the management and the shareholders. The Independent Board Member Candidate submits a written declaration to the Corporate Governance Committee at the time of nomination.

The Corporate Governance Committee convenes at least 4 times a year. The Committee convened 5 times in 2018.

The members of the Corporate Governance Committee determined in accordance with the decision of the Board of Directors of the Company are as follows:

Name Surname	Position	Nature of the Board of Directors Membership/Duty
Nafiz Can PAKER	Chairman of the Corporate Governance Committee	Independent Board Member
Serra SABANCI	Corporate Governance Committee Member	Non-Executive Board Member
Sevil Sabancı SABANCI	Corporate Governance Committee Member	Non-Executive Board Member
Gökhan EYİGÜN	Corporate Governance Committee Member	Secretary General
Levent DEMİRAĞ	Corporate Governance Committee Member	Head of the Department of Financial Affairs, Accounting and Investor Relations

Early Risk Identification Committee

Early Risk Identification Committee was established in accordance with the Article 378 of the Turkish Commercial Code (Law no. 6102) and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

The Committee performs activities with the purposes of early detection of any risk such as strategic, operational, financial, compliance etc. that may jeopardize the existence, development and continuity of the Company, of taking necessary measures, implementing solutions and managing the risk.

The members of the Committee shall be determined by the Board of Directors of the Company and disclosed to the public. The Chairman of the Committee is appointed among independent members by the Board of Directors of the Company. In the Committee; there are maximum two Members elected by the Company's Board of Directors except the President. The members of the Committee are preferably elected from among the non-executive Board Members.

Committee meetings are held at least six times a year, at a location deemed appropriate by the Chairman. The annual meeting schedule is determined by the Chairman of the Committee and communicated to all committee members at the beginning of each year.

The term of office of the Committee members are in parallel to the term of office of the Members of the Company's Board of Directors. The Committee is re-established upon the election of the Members of the Board of Directors.

Early Risk Identification Committee convened 6 times in 2018.

Name Surname	Position	Nature of Board of Directors Membership
Mehmet Mete BAŞOL	Chairman of the Early Risk Identification Committee	Independent Board Member
Sevil Sabancı SABANCI	Member of the Early Risk Identification Committee	Non-Executive Board Member
Gökhan EYİGÜN	Member of the Early Risk Identification Committee	Secretary General

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Audit Committee

The duty of the Audit Committee is to supervise the Company's accounting system, financial reporting, disclosure of financial statements, progress and effectiveness of independent audit and internal control systems, on behalf of the Company's Board of Directors. The Audit Committee reports its activities, evaluations and suggestions with respect to its duties and area of responsibility to the Board of Directors in writing.

The Chairman and the Members of the Audit Committee are appointed by the Board of Directors from among the Independent Members.

The Audit Committee held four meetings in 2018 and the main agenda items were the review of the independent audit report and the examination of the presentations of the Audit Department.

The members of the Audit Committee determined in accordance with the decision of the Board of Directors of the Company are as follows:

Name Surname	Position	Nature of Board of Directors Membership
Mehmet Mete BAŞOL	Chairman of the Audit Committee	Independent Board Member
Ahmet ERDEM	Member of the Audit Committee	Independent Board Member

Portfolio Management Committee

The Portfolio Management Committee was established in order to implement the necessary measures for the management and development of H.Ö. Sabancı Holding A.Ş.'s portfolio in order to ensure maximum value and dividend yield and to assist the Board of Directors in fulfilling its duties and responsibilities properly. The members of the Committee are determined by the Board of Directors of the Company. The Portfolio Management Committee convened 5 times in 2018.

Name Surname	Position	Nature of Board of Directors Membership
Güler SABANCI	Chairperson	Chairperson of the Board of Directors
Erol SABANCI	Member	Vice Chairperson
Suzan Sabancı DİNÇER	Member	Member
Sevil Sabancı SABANCI	Member	Member
Serra SABANCI	Member	Member
Mehmet GÖÇMEN	Member	Member and CEO

5.4. Risk Management and Internal Control Mechanism

The Sabancı Group holds the position that every risk brings an opportunity, and considers that “sustainable growth” may be achieved by effectively identifying, measuring, and managing risks. The Group places a great importance on risk management in order to “create value for its stakeholders,” which is a crucial part of its mission. As one of Turkey’s leading institutions, the Sabancı Group continues to implement a defined risk management system throughout the Company with its strong risk management infrastructure.

In Sabancı Group, risk is seen as a concept that incorporates opportunities as well as threats and corporate risk management is applied as a continuous and systematic process in all Group companies in order to manage these risks in the most efficient way. Efforts are being made to cultivate the risk culture throughout the Holding, and assurance is provided to ensure that the right activity is carried out taking the right amount of risk. The risks faced by the Group companies are monitored via Key Risk Indicators (KRI) determined by Sabancı Holding and Group companies. These indicators are continuously monitored and periodically reported. The necessary actions to manage the risks indicated by the Main Risk Indicators are taken by the Group companies under the coordination of Sabancı Holding.

Ceaselessly continuing to create shareholder value in 2018 owing to the importance it attaches to risk management, Sabancı Group displayed a sustainable growth performance.

Sabancı Group will manage the potential risks in all business lines in 2019 thanks to its strong capital and effective management understanding.

Similarly, the Internal Control Mechanism has been available since the Company was established. With the establishment of the Audit Committee, the Internal Control Mechanism effectively carries out the duties assigned by the Board of Directors, in compliance with the current Audit Committee Bylaws.

5.5. Company’s Strategic Goals

Having determined the vision and the mission of the Company, the Board of Directors incorporated them in writing in the Annual Report, and announced to the public on the Company’s website, www.sabanci.com and Company’s long-term strategies are built on these principles.

The Board of Directors, together with the CEO and Group Presidents, sets three-year strategic goals which are updated each year. Whether the targets are achieved or not are monitored by executive reports prepared at the end of each month. Whether the Company achieved its targets or not constitutes the basis for performance evaluation at the end of the year.

5.6 Financial Rights

The terms and conditions of any right, fee, and benefit granted to the Company’s Board Members are laid down in detail in the Articles of Association. The General Assembly determines the payments to be made to the Chairman and Members of the Board of Directors as well as the attendance fee. The payments made to the senior executives are disclosed to the public in the footnotes of our financial statements.

In 2018, the Company did not lend any money or extend any credit to the Board Members; did not extend the maturity or improve the terms and conditions of existing debts or credits; did not extend any individual loan through third persons, or did not offer guarantees.

¹ In accordance with the Resolution no 2/49 of the Capital Markets Board dated 10 January 2019, it was decided to implement the old format in the Corporate Governance Compliance Reports. Meanwhile, reporting in URF and KYBF formats are available at <https://www.kap.org.tr/en/Bildirim/746013> <https://www.kap.org.tr/en/Bildirim/746016>