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# Corporate Governance Principles Compliance Report

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## SECTION I - Declaration of Compliance with Corporate Governance Principles

Yapı Kredi strives to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB) to a significant degree and focuses on continuous development in this area while carrying out its operations.

The mandatory principles within the scope of the Communiqué on Corporate Governance numbered II-17.1 which is currently in effect during the year 2014 have been fully complied with and the non-mandatory principles have been mostly complied with. Despite full compliance with the non-mandatory Corporate Governance Principles is targeted, such full compliance has not been achieved yet due to reasons such as the practical challenges with some of the principles, the ongoing discussions both in our country and on the international platform in relation to compliance with some of the principles and the fact that some principles do not completely overlap with the existing structure of the market and the Bank. The principles that have not yet been implemented is worked on and it is planned that their practice will start after the completion of the administrative, legal and technical infrastructure work in a way to contribute to the efficient management of the Bank. Below in the relevant chapters are the explanations for Yapı Kredi's extensive efforts conducted within the framework of the Corporate Governance Principles and the principles that have not yet been complied with and the conflicts of interest, if any, arising from these.

Efforts for compliance with the Capital Markets Law which covered the new regulations of the CMB on the Corporate Governance Principles and with the communiqués issued on the basis of this law were among the main efforts in the field of Corporate Governance in 2014. Amendments to the Articles of Association which were required for compliance with the new Turkish Commercial Code and the Capital Markets Law were completed and the Board of Directors and the Committees of the Board of Directors of the Bank were formed in line with the regulations in the Communiqué on Corporate Governance. The Committees of the Board of Directors that are formed, continue with their activities efficiently. A remuneration policy was set for the Board of Directors and the senior management and employees and was submitted to the information of the shareholders at the Annual Shareholders' Meeting. Annual Shareholders' Meeting Disclosure Document containing the Annual Shareholders' Meeting information such as the shareholding structure, total number of shares and voting rights, the biographies of the candidates standing for membership to the Board of Directors and the Remuneration Policy was submitted to the information of the investors 3 weeks before the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and annual report were reviewed and the revisions required for full compliance with the principles were made. Work required for compliance with the principles will be carried out in the upcoming period by taking into consideration both the developments in the legislation and practice.

In clause 3 of article 6 of the Communiqué on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an audit committee member within the bank's organization for the Board of Directors shall be considered as independent Board members within the framework of this communiqué. The communiqué also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in audit committee members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communiqué also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. In this framework, all of the Members of the Bank's Audit Committee were independent members in 2014, with Benedetta Navarra and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

Among the Corporate Governance Principles, the following Principles which are not mandatory to apply have not been fully complied with yet due to the reasons stated above. Detailed information on this respect is provided in the relevant chapters below. There is no conflict of interest arising from non-compliance with the said principles.

- In relation to principle numbered 1.5.2, minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.
- In relation to principle numbered 4.3.9, no target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 25% in 2014.
- In relation to principle numbered 4.4.7, no limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors.
- In relation to principle numbered 4.5.5, the appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation

and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

- In relation to principle numbered 4.6.5, remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements in line with the general practice.

Yapı Kredi's corporate governance rating in the BIST Corporate Governance Index which the Bank joined back in 2008, started with 8.02 (over 10) was increased to 9.25 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on December 29, 2014. The ratings in terms of main sections were set as 9.59 for Shareholders, 9.05 for Public Disclosure and Transparency, 9.35 for Stakeholders and 9.12 for the Board of Directors.

## SECTION II - Shareholders

### 2.1. Investor Relations Unit

The functions at Yapı Kredi in relation to Investor Relations Unit are carried out in the following manner by Koç Financial Services (KFS) under Mehmet Erkan Özdemir, Assistant General Manager for Compliance and Internal Control, the Subsidiaries and Shareholder Relations Unit and the Investor Relations Unit under Marco Iannaccone, Assistant General Manager for Financial Planning and Financial Affairs (CFO). During the year, all telephone and e-mail inquiries to both units were answered within the scope of the relevant legislation. Within the scope of relations with the Bank's shareholders, the Investor Relations Unit held more than 950 meetings for investors, more than 30 meetings for analysts and approximately 100 teleconferences, in addition to attending 33 conferences and roadshows in order to meet existing and potential investors and ensure that shareholders are better updated on recent developments. Quarterly financial results were presented and shared 4 times during the year via quarterly teleconferences and questions by investors and analysts were answered by senior management.

The 2014 Report on Investor Relations Activities was reviewed by the Corporate Governance Committee of the Bank on February 26, 2015 and was submitted to the Board of Directors of the Bank on the same date.

#### Functions of KFS, Subsidiaries and Shareholder Relations Unit are:

- To ensure that the correspondence on shares between the Shareholders and the partners and the information and documents that need to be kept in relation to shares within the scope of legislation are kept in a sound, safe and updated manner
- To prepare the documents that need to be submitted to the shareholders for information and review in relation to the Annual Shareholders' Meeting and to take measures to ensure that the Annual Shareholders' Meeting is held in compliance with the relevant legislation, the Articles of Association and other regulations within the shareholding structure
- To oversee and monitor the fulfillment of liabilities arising from the Capital Market legislation including all matters in relation to Corporate Governance and Public Disclosure

#### Functions of the Investor Relations Unit are:

- To manage relations among national/international corporate investors/shareholders, banking analysts of intermediary agencies and partners, to inform them regularly and proactively, to answer their oral and written questions
- To manage relations with the international credit rating agencies, to answer their oral and written requests for information
- To manage all printed and web-based processes in relation to the issuance of the Bank's annual and interim reports and to coordinate the compilation of the contents in accordance with the legislation
- To include the matters set forth in the Corporate Governance Principles in the Investor Relations section on the Bank's website and to keep information updated

#### KFS, Subsidiaries and Shareholder Relations Unit

Head of the Unit	: Erdiñç TETİK
Title	: Director of KFS, Subsidiaries and Shareholder Relations Unit
Licences	: Capital Market Activities Level 3 License and Corporate Governance Rating License
Telephone	: 0 212 339 64 31
E-mail	: erdinc.tetik@yapikredi.com.tr
Employees of the Unit	: Hasan SADİ* - Ercan YILMAZ

\*holds Capital Market Activities Level 3 License and Corporate Governance Rating License

## **Investor Relations Unit**

Head of the Unit : Gülsevin TUNÇAY YILMAZ  
Title : Investor Relations Director  
Telephone : 0 212 339 73 23  
E-mail : gulsevin.yilmaz2@yapikredi.com.tr  
Employees of the Unit : Feride TELCI - Ersin Efe MERİÇ - Tunç TATLICI

### **2.2. Exercise of Shareholders' Right to Obtain Information**

No discrimination is made among shareholders in terms of the use of the right to obtain and review information and all information except for trade secrets are shared with the shareholders. Questions received by the Investor Relations Unit are answered both by telephone and in writing upon establishing contact with the most senior individual related to the matter, except for information that are deemed to be confidential and trade secret. As explained in Chapter 3.1 of this report, all information and explanations that could impact on the use of shareholding rights are included in the corporate website. Yapı Kredi continuously communicates with and informs shareholders through telephone, e-mail, internet, press releases as well as one-on-one and group meetings.

Although the right to request a private auditor is not regulated in the Articles of Association as an individual right, each and every shareholder can place a request at the Annual Shareholders' Meeting, as per article 438 of the Turkish Commercial Code and even if such request is not included on the agenda, that specific cases are clarified through private audit whenever this is required in order to be able to exercise the shareholding rights and if the right to obtain and review information was exercised beforehand. Shareholders did not place a request to this end in 2014. According to the Banking Law, Yapı Kredi is subject to supervision and audit from Banking Regulation and Supervision Agency (BRSA) as well as CMB regulations and the Bank's activities are periodically audited by the Independent Auditor elected in the Annual Shareholders' Meeting.

### **2.3. Annual Shareholders' Meetings**

The most recent Annual Shareholders' Meeting was held on March 27, 2014 at the conference hall of the Bank's Head Office at Yapı Kredi Plaza D Blok Levent - İstanbul. Shareholders attended this meeting with a 92.90% majority, while no stakeholder or media representative attended. In accordance with the applicable law and the Bank's Articles of Association, meeting invitation was announced via Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), the e-company and Electronic General Meeting System of the Central Securities Depository Institution (MKK).

The Board of Directors and Audit Committee Reports, Financial Statements and Independent Audit Report, Dividend Distribution Proposal for the year 2013, the Annual Report containing the date and the agenda of the Annual Shareholders' Meeting as well as the Corporate Governance Principles Compliance Report attached thereto and the articles of Annual Shareholders' Meeting Agenda, and the detailed annotation containing the Compliance to Capital Markets Board regulations were made available for the examination of shareholders at the Bank's Head Office and branches, on its website [www.yapikredi.com.tr](http://www.yapikredi.com.tr) as well as at KAP and the Electronic General Meeting System of the MKK within the legal period of 3 weeks prior to the Annual Shareholders' Meeting.

At the Annual Shareholders' Meeting, the Dividend Distribution and Remuneration Policies were approved in addition to the regular articles. Transactions regarding liquidation by sale of some Bank receivables that are being followed up on non-performing loan accounts were approved and the Members of the Bank's Board of Directors were also cleared regarding these transactions. Shareholders were informed of the donations and charities made in 2013 and a ceiling amount for the donations to be made in 2014 was determined by the General Assembly as TL 12,000,000. At the Annual Shareholders' Meeting, an opportunity was presented to the shareholders to speak and ask questions regarding all agenda items but no questions which required a written response were brought forward.

Minutes of the Annual Shareholders' Meeting can be accessed via the KAP, the Electronic General Meeting System and e-company portal of the MKK and on Yapı Kredi's website.

In 2014, a proposal was submitted by the shareholders to add an item to the agenda. This proposal was reviewed and rejected by the Board of Directors of the Bank.

At the Board of Directors, there were no transactions for which an affirmative vote of the majority of the independent members of the Board of Directors was sought for making a decision and for which the decision was left to the General Assembly due to the fact that the said members cast a negative vote.

There were no cases in which the shareholders possessing management control, members of the board of directors, managers having administrative responsibilities and their spouses and relatives by blood and by marriage up to the second degree carried out a significant transaction that could cause conflict of interest with the company or its affiliates and/or carried out a transaction on behalf of themselves or others a business-like transaction that falls within the field of

operations of the company or its affiliates or became an unlimited-liability partner of another company dealing with the same kind of business.

#### 2.4. Voting and Minority Rights

Yapı Kredi has no privileged shares. There is no cross-shareholding between the Bank and its subsidiaries and thus no such votes were cast at the most recent Annual Shareholders' Meeting. Minority shares are not represented in management. Minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.

#### 2.5. Right to Dividend

As Yapı Kredi has no privileged shares, no privilege exists in dividend distribution. In 2014, a total gross cash dividend of TL 388,000,000 was distributed from 2013 net income.

The Dividend Distribution Policy of the Bank was approved at the Annual Shareholders' Meeting held on March 27, 2014. The Dividend Distribution Policy of the Bank available on the KAP, the Bank's website and the annual report provides that *"Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. At the Annual Shareholders' Meeting, in accordance with the Articles of Association, shareholders may make the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda."*

#### 2.6. Transfer of Shares

There are no provisions in Yapı Kredi's Articles of Association that restrict transfer of shares and the provisions of the Banking Law which sets the transfer of shares are reserved.

### SECTION III - Public Disclosure and Transparency

#### 3.1. Corporate Website and Its Contents

In accordance to the Bank's Corporate Governance Principles, the Bank has two separate and regularly updated websites in Turkish ([www.yapikredi.com.tr](http://www.yapikredi.com.tr)) and English ([www.yapikredi.com.tr/en-us](http://www.yapikredi.com.tr/en-us)). Both websites provide detailed information about Yapı Kredi under the Investor Relations section.

The Investor Relations section in Turkish ([www.yapikredi.com.tr/tr-TR/yatirimci\\_iliskileri](http://www.yapikredi.com.tr/tr-TR/yatirimci_iliskileri)) provides information regarding the Bank's history, vision and values, shareholding structure, share price, periodic financial tables and annual reports, credit ratings given by rating agencies, corporate governance reports, the Board of Directors, senior management, Articles of Association, trade registry information, disclosure policy, code of ethics, details on Annual Shareholders' Meetings, including minutes, agenda, list of attendees and sample power of attorneys, explanations for material events disclosure and the future expectations of the Bank as stated within the scope of article 10 of the Communique on Material Events Disclosure and all other relevant information. The Annual Shareholders' Meeting disclosure document containing discussion topics related to the agenda and relevant documents (annual report, financial statements, dividend distribution table, Dividend Distribution Policy and other documents regarding the agenda) are available on the website and presented at the Annual Shareholders' Meeting.

During the year, on the website of the Bank for investor relations in English, information on Yapı Kredi, the progress of shares and bonds, information on the Medium Term Note Program, investor relations calendar, investor relations presentations, investor bulletin and the list of analysts in addition to periodic updates and amendments on all matters were included.

#### 3.2. Annual Report

The Bank's annual report is prepared according to BRSA Regulations regarding the Principles and Procedures Concerning the Preparation of the Annual Report by Banks. In addition, the annual report is prepared in a way to include the information set forth in the Capital Markets Board (CMB) legislation and the Corporate Governance Principles.

### SECTION IV - Stakeholders

#### 4.1. Informing Stakeholders

Yapı Kredi employees are informed about the Bank's activities via internal communication systems by the CEO and relevant senior management when necessary. In addition, Head Office and branch managers are regularly informed about various developments via management meetings, announcements and other communication channels. The Bank's Code of Ethics and compliance to this code are reported to the Corporate Governance Committee on a regular basis. Outside of Yapı Kredi's employees, stakeholders are notified regarding information pertaining to themselves and when deemed necessary via e-mail, telephone and other communication channels. Mechanisms were established for stakeholders to submit the transactions of the company that are contrary to the legislation and not ethically appropriate to the Bank's senior management.

#### 4.2. Participation of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by internal executive functions. The decision making responsibilities of these functions are initially evaluated by the relevant management and then submitted for the approval of the related decision making bodies. Furthermore, there are channels available for stakeholders and specifically for the Bank's employees in order for them to support the management of the Bank without hindering the activities of the Bank. Internal customer satisfaction measurement is also conducted once a year in order to get the views and opinions of the Bank's employees.

#### 4.3. Human Resources Policy

The Bank's human resources practices are based on its Employee Guidelines. These guidelines inform employees about human resource practices and set conditions pertaining to administrative services. Through the Employee Guidelines, the Bank aims to inform and provide consultancy to employees regarding all matters relevant to employee relations such as employee selection, placement and development based on employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc. The Bank's human resources and organization management carries out its operations without discrimination of race, gender, nationality, age, religion, political view and physical disability and with respect towards privacy and civil rights. Job description as well as performance and bonus guidelines are announced to all employees of the Bank. In addition, the Bank has a human resources portal available to all employees with published detailed policies under main headings of career, new career development, salary and benefits as well as performance.

Furthermore, all Bank employees are able to share any discomfort and complaints with regard to these matters, orally or in writing, to the code of conduct within the Compliance and Internal Control and to the Ethics, Fight Against Corruption and Conflict of Interest section.

On the other hand, under the law on Trade Unions and Collective Labour Agreements (Law nr.6356), a Collective Bargaining Agreement is in place between the Bank and Union of Bank and Insurance Workers. The purpose of this agreement is identifying the benefits and responsibilities of the Bank and union members regarding contents and termination of members' labour contracts and other issues, ensuring that these are implemented correctly and demonstrating solutions in the event of possible conflicts. Through this agreement, both parties mutually guarantee to be on good terms, labor peace, wellbeing and labor safety. As a part of the Collective Bargaining Agreement, Workplace Union Representatives are designated by BASISEN on behalf of the members of the union. These representatives are commissioned to listen to members, resolve their complaints, assure cooperation, labor peace and harmony between workers and the employer, monitor the rights and interests of the workers and assist the exercise of the working conditions subject to the labor laws and collective bargaining agreements.

**Candidate searches:** Following determination of needs in human resources, candidate searches are initiated through existing candidate pools, internet, news releases, internal announcements as well as head hunters. In addition, a special candidate pool composed of existing employees is also prepared for the position. Applications are assessed on the basis of criteria such as education, foreign language skills and work experience, as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes employer branding activities in cooperation with university clubs to introduce the Bank to university students and learn about their expectations.

**Recruitment process:** This stage consists of an examination, interview and job offer. At the examination stage, through tests based on job function, it is determined whether the candidate possesses the necessary abilities required for the position. These abilities include learning capabilities, performing rapid numerical calculations, adaptability, problem solving, identifying details in words and figures, visual, numeric and verbal memory assessments. For some positions, a personality inventory is also applied. The interview stage is aimed at determining whether candidates possess certain abilities (establishing communication, teamwork etc.) required by the position to which they will be assigned, also through role play. Candidates are also asked competency-based and behaviour-focused questions during the interview process to assess whether the qualities required by the job match their expectations.

At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. Contracts are signed with candidates who accept the job offer and start working at Yapı Kredi.

For newly formed positions or positions that require expertise and technical know-how, candidates with sufficient work experience in the relevant field are preferred. The interview stage of hiring experienced staff is carried out by the Human Resources career and recruitment planning teams in cooperation with the relevant department. Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the Bank's vision, mission and strategic objectives. For experienced candidates that live in other cities, the Bank has an online interview process allowing candidate evaluation. For the candidates abroad, one-to-one interviews are carried out with the attendance of both Human Resources and Regional Managers.

#### 4.4. Code of Ethics and Social Responsibility

Information on the Bank's code of ethics is publicly disclosed on the Bank's website. Furthermore, a policy for fighting against corruption and bribery is formulated and announced on the website.

Yapı Kredi has various efforts in line with environmental laws and the environmental awareness in general in addition to its relations with the non-governmental organizations and the public social organizations.

#### Yapı Kredi Culture Art and Publishing

Through Yapı Kredi Publishing, Yapı Kredi Culture Art and Publishing continues to be an important player in the world of publishing thanks to the 4,250 books it has published so far, with an annual average number of 250 new books and 550 new editions. The share of children's books gradually increases within the range of publications. Approximately 40 thousand students, teachers, librarians and authors are brought together every year in about 200 school visits and library presentations held annually. On the other hand, Yapı Kredi Cultural Center reaches an average of 70 thousand followers through about 160 events and 9 exhibitions held during the year and thus maintains a reputable position in the cultural and artistic life of our country. Through its mission to support educational, cultural and artistic projects that will elevate the welfare level of the society, Yapı Kredi Culture Art Publishing also attaches great importance to publishing audio books which is a recently growing field of activity in Turkey.

#### Projects for Disabled Citizens

- **Enabled Banking:** Initiated in 2008 as a first and most comprehensive Enabled Banking program in Turkey, the project aims to provide disabled customers with convenient access to banking services. The Bank also launched the first enabled banking website in Turkey, [www.engelsizbankacilik.com.tr](http://www.engelsizbankacilik.com.tr), making the finance sector more accessible for Turkey's disabled citizens. Under this program, "Home Agent" (Customer Representatives working from home) project started in 2014, which provides disabled citizens the opportunity to join the work force, operating in the comfort of their own homes. 9 disabled individuals were employed via this project. In addition, "Speaking is in our Hands" project provided sign language training to around 300 branch employees with an aim to reach out to hearing-impaired customers by using the sign language and giving them faster and more efficient service.
- **I Know No Barriers for My Country:** Yapı Kredi continued to play an active role in this project, which started under the leadership of Koç Group. Accordingly, Yapı Kredi strives to make its products and services as well as its service points more accessible for disabled customers. At the same time, the Bank organises training programs for employees to increase awareness.
- Within the scope of Yapı Kredi Publishing's supportive practices, until now 93 books have been transferred to digital platform and converted into audio books and 24/7 phone access have been provided.

#### Sustainability and Yapı Kredi

- **Building Sustainability:** A Yapı Kredi Sustainability Committee was formed in an effort to adopt a more integrated approach to Sustainable Banking and Corporate Social Responsibility.
- **The First GRI-approved Sustainability Report:** In 2014, Yapı Kredi published its first GRI-approved sustainability report, which was prepared to meet the requirements of the G3 reporting framework for B Level application.
- **BIST Sustainability Index:** Due to the Bank's successful performance in environmental, social and corporate governance related issues, Borsa Istanbul, in association with the London-based Ethical Investment Research Service (EIRIS), selected Yapı Kredi as one of only 15 BIST-30 companies to be included in its newly formed BIST Sustainability Index.

#### Culture and Art Projects

- **Afife Theater Awards:** Held each year since 1997 with the continuous support of Yapı Kredi and under mentorship of well-known stage actor Haldun Dormen, Afife Theater Awards were organized for the 18<sup>th</sup> time in 2014.



- The Çatalhöyük Excavations: Çatalhöyük Excavations have been continuing under the main sponsorship of Yapı Kredi since 1997. A Çatalhöyük exhibit was organized by Yapı Kredi Culture, Arts and Publishing in Istanbul in September 2014.

#### **Education Projects**

- I Read, I Play: Conducted in cooperation with the Educational Volunteers of Turkey Foundation (TEGV), the "I Read, I Play" project aims to help children develop their reading skills, supported by the efforts of 55 volunteers at 11 education parks. The project reached 120,000 children since 2006.
- Colored Pens: Launched in 2014 under the name of "Colored Pens Newspaper", it is as a communications activity to support the "I Read, I Play" project. Through this project, children were allowed to participate in the "I Read, I Play" sessions at 12 education parks and had the chance to publish a newspaper, under the guidance of some of the best journalists in Turkey. The activity was initiated in Istanbul, Samsun and Van in 2014 and will spread out to other cities of Turkey in 2015.

#### **Environmental Projects**

- Recycling Project: Launched in 2008, Yapı Kredi has been implementing a recycling project to support the sustainability of natural resources. As part of the project, above 1 million kgs of paper, more than 6 thousand kgs of plastics, more than 500 kgs of glass and 290 kg of metals were collected for recycling in 2014. Accordingly, Yapı Kredi prevented 38 thousand tons of greenhouse gases from being released into the atmosphere, saved 18 thousand trees, around 27 million litres of water, 86,100 kw/h of energy and 27 tons of raw petroleum
- Plastic Cap Campaign: Yapı Kredi employees took part in the plastic cap collection campaign organized by the Spinal Cord Paralytics Association of Turkey and collected 750 kgs of plastic caps for the cause. The revenue from the recycling of the caps was donated to the Association and converted into wheelchairs.
- ISO 14064: Yapı Kredi completed the certification process for ISO 14064 Greenhouse Gases Reporting, which began in 2011. The Bank has also been qualified to receive the certification for ISO 14064. The certification process for 2012 and 2013 was finalised in 2014.

#### **Relations with the Academic Community**

- Finance Chair: To support the scientific researches in finance, Yapı Kredi continued to sponsor the Finance Chair founded at Koç University in collaboration with the University in 2014.
- Academic Scholarship: Yapı Kredi continued to sponsor Koç University's Academic Scholarship Program, founded in 2011, raising the number of scholars supported in this program to 4 in 2014.

In 2014, Yapı Kredi channelled TL 4.7 million towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 6.8 million in aid and donations.

## **SECTION V - Board of Directors**

### **5.1. Structure and Formation of the Board of Directors**

The Bank is governed and represented by the Board of Directors. The number of Board members and the members themselves are determined at the Annual Shareholders' Meeting. The numbers and the qualifications of the independent members are determined in accordance with the BRSA and the CMB. According to the Bank's Articles of Association, the Board of Directors must be composed of a minimum of 8 individuals. Members are elected by the General Assembly for a term of maximum 3 years and serve until the election of their successor.

Information on the Members of the Board of Directors who are elected at the Shareholders' Meeting on March 27, 2014 in order to serve until the Annual Shareholders' Meeting where the 2014 activities will be discussed is available in the following table (as of 31.12.2014) and their CVs are provided on the Bank's website and its annual report. At the Bank's Board of Directors, the executive director and the CEO and the members serving as deputy executive directors and deputy CEO function as executive members of the Board of Directors.

Name, Surname	Position	The Most Recent Positions Outside the Corporation	Whether or Not an Independent Member of the Board of Directors	Committee Memberships and Positions
Mustafa V. Koç	Chairman	Chairman of the Board of Directors at Koç Holding A.Ş., Koç Finansal Hizmetler A.Ş./ Chairman of the Board of Directors, Vice Chairman and Member at Koç Holding Group companies	Not Independent	-
Gianni F. G. Papa <sup>(1)</sup>	Vice Chairman of the Board of Directors	Chairman of Management at UniCredit Group for Central and Eastern Europe Region / Vice Chairman of Executive Board at UniCredit Bank Austria AG. / Vice Chairman of Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Chairman of Audit Committee / Member of Credit Committee / Member of Corporate Governance Committee / Member of Remuneration Committee
H. Faik Açıklalın	Chief Executive Officer	Chief Executive Officer and Managing Director at Koç Finansal Hizmetler A.Ş./ Chairman of Koç Holding A.Ş. Banking and Insurance Group / Chairman of Board of Directors at Yapı ve Kredi Bankası A.Ş. financial affiliates	Not Independent	Chairman of Credit Committee / Chairman of Executive Committee
Carlo Vivaldi <sup>(1)</sup>	Executive Director and Deputy CEO	Vice Chief Executive Officer and Managing Director of Koç Finansal Hizmetler A.Ş./ Vice Chairman and Member of Board of Directors of Yapı ve Kredi Bankası A.Ş. financial affiliates	Not Independent	Vice Chairman of Credit Committee / Vice Chairman of Executive Committee
Ahmet F. Ashaboğlu	Member of the Board of Directors	CFO of Koç Holding A.Ş./ Member of Board of Directors of Koç Group companies / Member of the Board of Directors at Koç Finansal Hizmetler A.Ş./ Member of the Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı	Not Independent	-
F. Füsün Akkal Bozok	Member of the Board of Directors	Member of the Board of Directors at Koç Finansal Hizmetler A.Ş./ Lecturer at Sabancı University	Independent	Member of Audit Committee / Member of Credit Committee
O. Turgay Durak	Member of the Board of Directors	CEO of Koç Holding A.Ş./ Member of the Board of Directors at Koç Finansal Hizmetler A.Ş./ and various positions at Board of Directors of Koç Holding A.Ş. Group companies	Not Independent	Member of Corporate Governance Committee / Member of Remuneration Committee
Francesco Giordano	Member of the Board of Directors	Member of Managing Board and Chief Financial Officer at UniCredit Bank Austria / Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Member of Audit Committee / Alternate Member of Credit Committee
Dr. Jürgen Kullnigg	Member of the Board of Directors	Head of Risk Management at UniCredit / Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Member of Credit Committee
Benedetta Navarra	Member of the Board of Directors	Member of the Board of Directors of Koç Finansal Hizmetler A.Ş. / Member of the Board of Directors at AS Roma / Member of the Board of Directors at Statutory Auditors Equitalia S.p.A.	Independent	Member of Audit Committee
Laura S. Penna <sup>(1)</sup>	Member of the Board of Directors	Unit Manager of UniCredit Management Consultancy / Member of the Board of Directors at UniCredit Business Integration Solutions / Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Alternate Member of Credit Committee
Adil G. Öztoprak	Member of the Board of Directors	Member of the Board of Directors of Koç Finansal Hizmetler A.Ş./ Independent Member of the Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı	Independent	Member of the Audit Committee

(1) Based on the decision of the Board of Directors dated January 19, 2015, Mr. Niccolò Ubertalli has been elected as Executive Director of Yapı ve Kredi Bankası A.Ş. to replace Ms. Laura S. Penna, who has resigned as Director as of 16 February 2015. Mr. Gianni F.G. Papa as Vice Chairman was relieved of this duty as of 16 February 2015 and continues as Director and Mr. Carlo Vivaldi as Executive Director was relieved of this duty and continues as Vice Chairman. Since Mr. Carlo Vivaldi has been appointed as Senior Executive Vice President of UniCredit in charge of Central and Eastern Europe Division and also Deputy Chairman of the Management Board of UniCredit Bank Austria AG, he has resigned as Deputy CEO of Yapı ve Kredi Bankası A.Ş. as of 16 February 2015 and Mr. Niccolò Ubertalli was appointed as the Deputy CEO of Yapı ve Kredi Bankası A.Ş.

The posts of Chairman of the Board of Directors and the General Manager (CEO) are not occupied by the same individual. It is ensured that the Members of the Board of Directors allocate sufficient time for the work of the Bank and no limits are introduced for the Members of the Board preventing them from assuming a duty or duties outside the Bank.

Benedetta Navarra and Adil G. Öztoprak were nominated as candidates for Independent Members to the Board of Directors on 20.01.2014 as a result of the examination of Candidacy Declarations and CVs by the Corporate Governance Committee and they were identified as candidates for Independent Members by the Board of Directors on the same date. It was decided in CMB's meeting held on 17.02.2014 that no negative opinions be submitted for Benedetta Navarra and Adil G. Öztoprak and they were elected as Independent Members at the Annual Shareholders' Meeting.

In clause 3 of article 6 of the Communique on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an Audit Committee Member within the Bank's organization for the Board of Directors shall be considered as Independent Board Members within the framework of this communique. The same communique also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in Audit Committee Members of Banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The communique also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. Within this framework, in 2014, the other Independent Members of the Audit Committee were Gianni F. G. Papa, Francesco Giordano and F. Füsün Akkal Bozok, with Benedetta Navarra and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

During the 2014 operational period, no case that removed independence arose.

No target rate was determined in relation to the rate of female members in the Board of Directors as a tool for ensuring the representation of different opinions on the Board but the rate of female members in the Board of Directors was 25% in 2014.

## 5.2. Operating Principles of the Board of Directors

The Board of Directors convenes upon the invitation of the Chairman as the operations of the Bank necessitate and at least 10 times a year. In 2014, the Board of Directors convened 11 times. The Board of Directors meeting and decisions are



subject quorum of at least one more than half the total number of members. Members of the Board of Directors are not granted weighted voting rights. The average attendance rate of the members in the meetings of the Board of Directors in 2014 was 90%.

Meeting invitations are sent to all Members and Statutory Auditors on behalf of the Chairman. Matters to be discussed and related documentation are collected and upon the Chairman's approval, the meeting agenda is sent to all Members and Statutory Auditors. During the signing of the minutes by the attendees, Members who vote against an adopted resolution are required to state and undersign the reasons for their opposition thereof. Requests and views expressed at the Board of Directors' meetings are reflected in the minutes.

A 'Management Liability Insurance' is available for Members of the Board of Directors and the senior managers of the Bank.

### 5.3. Number, Structure and Independence of Committees Formed by the Board of Directors

The aim of the committees is to provide support during the decisionmaking process, evaluate proposals to be submitted for approval to the Bank's related functions and make decisions in their own areas of responsibility in accordance with the authorities delegated by the Board of Directors. The committees are responsible for acting in compliance with the Banking Law and related regulations while carrying out their functions within the framework of the Corporate Governance Principles.

According to the Banking Law, members of committees excluding the Executive Committee must be members of the Board of Directors. The Board of Directors currently consists of 12 members. The Board of Directors and other committee members are allocated in accordance to the Bank's joint venture shareholding structure. As a result, there are Members of the Board of Directors who are part of more than 1 committee. Those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

#### Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular biweekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2014, the Executive Committee convened 27 times with the required majority and the quorum satisfied.

The Committee's responsibilities include:

- defining Group strategies and the Bank's structural risk management
- managing asset-liability guidelines including pricing and interest rates
- existing product evaluation and new product approval
- assessing credit, operational, market and liquidity risk
- ensuring coherence of the Bank's commercial policies and principles with budget objectives
- further improving customer satisfaction marketing activities
- internal and external communication plans
- approval of the Bank's annual project plan and major organisational changes
- optimisation of market risk profile strategies within the guidelines set by the Board of Directors

#### Executive Committee Members

Chairman	H. Faik Açıklan	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Carlo Vivaldi <sup>1</sup>	Executive Director and Deputy CEO
Member	Wolfgang Schilk	Assistant General Manager - Risk Management (CRO)
Member	Marco Iannaccone	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Feza Tan	Assistant General Manager - Corporate and Commercial Banking
Member	Z. Nazan Somer Özelgin	Assistant General Manager - Retail Banking
Member	Mert Yazıcıoğlu	Assistant General Manager - Private Banking and Wealth Management
Member	S. Cihangir Kavuncu	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Mert Öncü	Assistant General Manager - Treasury and Financial Institutions

(1) Based on the decision of the Board of Directors dated January 19, 2015, Mr. Niccolò Ubertalli was appointed as Vice Chairman of the Executive Committee, effective as of 16 February 2015.

#### Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with credit policy, economic objectives and the Bank's overall risk profile. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2014, the Credit Committee convened 47 times with the required majority and the quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

## Credit Committee

### Credit Committee Principal Members

Chairman	H. Faik Açıkalın	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Carlo Vivaldi <sup>2</sup>	Executive Director and Deputy CEO
Member	Gianni F. G. Papa <sup>2</sup>	Vice Chairman of the Board of Directors
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Dr. Jürgen Kullnigg	Member of the Board of Directors

### Credit Committee Alternate Members

Alternate Member	Laura S. Penna <sup>2</sup>	Member of the Board of Directors
Alternate Member	Francesco Giordano	Member of the Board of Directors

(2) Based on the decision of the Board of Directors dated January 19, 2015, Mr. Niccoló Ubertalli was appointed as Vice Chairman of the Credit Committee and Mr. Carlo Vivaldi was appointed as Member of the Committee and Mr. Gianni F. G. Papa as Alternate Member of the Committee, effective as of 16 February 2015.

## Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2014, the Audit Committee convened 4 times with the required majority and the quorum satisfied. The Committee reports at least once every six months to the Board of Directors.

The Committee's responsibilities include:

- monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- verifying adequacy of internal control systems
- monitoring audit projects and evaluating significant findings
- appointing, compensating and overseeing external auditor, rating, valuation and support service institutions
- monitoring the financial reporting process
- reviewing procurement policies and practices

## Audit Committee Members

Chairman	Gianni F. G. Papa	Vice Chairman of the Board of Directors
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Francesco Giordano	Member of the Board of Directors
Member	Benedetta Navarra	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

## Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2014, the Corporate Governance Committee convened 2 times with the required majority and the quorum satisfied.

### Corporate Governance Committee Members

Member	Gianni F. G. Papa <sup>3</sup>	Vice Chairman of the Board of Directors
Member	O. Turgay Durak	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Marco Iannaccone	Assistant General Manager - Financial Planning and Administration (CFO)

(3) Based on the decision of the Board of Directors dated January 19, 2015, Mr. Carlo Vivaldi was appointed as Member of the Corporate Governance Committee to replace Mr. Gianni F. G. Papa, effective as of 16 February 2015.

## Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2014, Remuneration Committee convened 2 times with the required majority and the quorum satisfied.

#### Remuneration Committee Members

Member	Gianni F. G. Papa <sup>4</sup>	Vice Chairman of the Board of Directors
Member	O. Turgay Durak	Member of the Board of Directors

(4) Based on the decision of the Board of Directors dated January 19, 2015, Mr. Carlo Vivaldi was appointed as Member of the Remuneration Committee to replace Mr. Gianni F. G. Papa, effective as of 16 February 2015.

#### 5.4. Risk Management and Internal Control Mechanism

Effective Internal Control Systems were established to monitor and control risks at branches and all related subsidiaries to ensure Bank's compliance to local laws and internal regulations. The Internal Control System, under the Audit Committee organisational structure, consists of Internal Audit, Compliance and Internal Control as well as Risk Management departments. Through the Manager of Internal Systems and Audit Committee, these departments report to the Board of Directors as per the regulations.

#### 5.5. Strategic Goals of the Company

Strategic objectives of the Bank are annually reviewed by the Board of Directors. The Bank's annual budget is approved by the Board of Directors. At each Board of Directors' meeting during the year, the Bank's overall performance is reviewed and compared with the monthly targets. On a quarterly basis, key performance indicators and growth of the Bank compared to the sector are analysed in detail by the Board of Directors.

#### 5.6. Financial Benefits

In 2014, TL 34,914 (Group: TL 40,723) was paid to the senior management of the Bank. Senior management and other employees receive salaries and performance-based payments according to the principles in the Bank's Remuneration Policy. Performance-based payments are subject to achievement of the Bank's quantitative and qualitative targets as declared on the Remuneration Policy.

The remuneration policy for the Board of Directors and the senior management and employees was submitted to the review of the shareholders 3 weeks before the Annual Shareholders' Meeting held on March 27, 2014 through the Annual Shareholders' Meeting Disclosure Document and at the Bank's Head Office and branches, on the Bank's website at [www.yapikredi.com.tr](http://www.yapikredi.com.tr), at the KAP and the Electronic General Meeting System of the MKK and was approved at the Annual Shareholders' Meeting. The said policy as disclosed publicly through the Bank's website will be taken on the agenda of the Annual Shareholders' Meeting to be held on March 25, 2015 where the 2014 activities will be discussed and thus will be submitted to the opinion of the shareholders. Remunerations made to the Members of the Board of Directors and to senior managers are collectively and publicly disclosed in the footnotes of the financial statements in parallel with the general practice.

Members of the Board of Directors and senior management are allowed to utilise loans from the Bank within the guidelines specified on Article 50 of the Banking Law.