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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) 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 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 2016. 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 2016, with Giovanna Villa and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

Among the Corporate Governance Principles, following main principles which have not been fully complied and not mandatory in accordance to communiqué have been specified below 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 14% in 2016.
- 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 9.34 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on December 28, 2016. The ratings in terms of main sections were set as 9.59 for Shareholders, 9.25 for Public Disclosure and Transparency, 9.35 for Stakeholders and 9.23 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 Assistant General Manager for Compliance and Internal Control, the Subsidiaries and Shareholder Relations Unit and the Investor Relations Unit under 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 370 meetings for investors, more than 20 meetings for analysts and approximately 100 teleconferences, in addition to attending 18 conferences and 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 2016 Report on Investor Relations Activities was reviewed by the Corporate Governance Committee of the Bank on February 22, 2017 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 fulfilment 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, Corporate Governance Rating and Derivative Instrument License
Telephone	: 0 212 339 64 31
E-mail	: erdinc.tetik@yapikredi.com.tr
Employees of the Unit	: Hasan SADİ* - Ercan YILMAZ – Resul BAŞAK

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

#### Investor Relations Unit

Head of the Unit	: Gülsevin TUNÇAY YILMAZ
Title	: Corporate Strategy and Investor Relations Director
Telephone	: 0 212 339 73 23
E-mail	: gulsevin.yilmaz2@yapikredi.com.tr
Employees of the Unit	: Kerem BAYKAL* - Ece OKTAR GÜRBÜZ** - Arya ÖZÇAM - Eray ALPAY

\* Holds Capital Market Activities Level 3 License, Corporate Governance Rating License and Derivatives License

\*\* Holds Capital Market Activities Level 3 License, Corporate Governance Rating License and Credit Rating License

### 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 2016. 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 31, 2016 at the conference hall of the Bank's Head Office at Yapı Kredi Plaza D Blok Levent - İstanbul. Shareholders attended this meeting with a 92,10 % 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 2015, 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; it is resolved that to make amendment the article 6 of the Articles of Association of the Bank (titled "Capital") related to extending Banks' Capital Ceiling Registration period which would expire at 2016 until 2020, and to make amendment to the article 14 of the Articles of Association (titled "Remunerations of the Members of Board of Directors, Executive members and the Committee Members"). Shareholders were informed of the donations and charities made in 2015 and a ceiling amount for the donations to be made in 2016 was determined by the General Assembly as TL 15,000,000. At the Annual Shareholders' Meeting, an opportunity was presented to the shareholders to speak and ask questions regarding all agenda items, there were not any raised a question which was supposed to be answered in written.

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 2016, there was not any proposal which was submitted by the shareholders to add an item to the agenda.

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. It is resolved at the annual general assembly dated 31.03.2016 that, after necessary legal reserves has been reserved from our bank profit of 2015, the rest of the amount be set aside as extraordinary reserve, dividend distribution has not been made.

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](http://www.yapikredi.com.tr/en)). Both websites provide detailed information about Yapı Kredi under the Investor Relations section.

The Investor Relations section in Turkish ([www.yapikredi.com.tr/yatirimci-iliskileri](http://www.yapikredi.com.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 recruitment, 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 , a special candidate pool composed of existing applied employees is prepared after the internal announcement is disclosed. 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, English exam (based on the position whether as test or as written) is applied 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 recruitment 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 candidates that live in other cities and abroad, the Bank has an online interview process allowing candidate evaluation.

#### 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 believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations. In this content, The Bank develops its own social responsibility projects in line with the needs and expectations of the society. Furthermore, Yapı Kredi supports the active engagement of its stakeholders and provides the societal activities undertaken by its main shareholders, Koç Holding and UniCredit. Since its foundation in 1944, Yapı Kredi has been supplementing the investments made in education, culture & arts, environment and sports through its innovative social responsibility projects seeking lasting solutions to social problems and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to enable a wider audiences to benefit from these projects.

#### Culture and Arts Projects

- **Yapı Kredi Culture Art and Publishing:** Through Yapı Kredi Publishing, at 2016 Yapı Kredi Publishing continues to be an important player in the world of publishing thanks to the 4,749 books it has published so far, with an annual average number of 221 new books and 856 new editions. The share of children's books gradually increases within the range of publications. Students, teachers, librarians, editors and authors are brought together every year in about 150 school activity held throughout the year. On the other hand, Yapı Kredi Cultural Center reaches lots of followers through about 90 events and 5 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 take seriously publishing audio books which is a recently growing field of activity in Turkey. In his concept made its contribution for the blind people accessing books by 238 books as of the end of 2016.
- **Yapı Kredi Afife Theatre Awards:** It is the most prestigious and the long-lasting arts awards, Yapı Kredi Afife Theatre Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish female artist to appear on stage, and to support the Turkish theatre. A grand jury, comprising of 33 members who are doyens of theatre and have dedicated their lives to the art of theatre transparently vote for plays they watch during the season and grant awards in 15 categories including 11 main and 4 special awards.
- **Çatalhöyük Excavations:** Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for a long period in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya with an altitude of 21 meters, Çatalhöyük Hill houses 9,000-year-old secrets. Every year in August and September, a team of around 200 members from all over the world perform excavations at Çatalhöyük, one of the most important and impressive archaeological sites in the world. The 2016 excavation season marked a period in which new perspectives were adopted and significant finds were brought to light at Çatalhöyük, which is recorded in the UNESCO World Heritage List.

## Projects for Disabled Citizens

- **Enabled Banking:** Initiated in 2008 as the first and most comprehensive Enabled Banking Program in Turkey, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi 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 disabled citizens. Additionally, the Bank provides dedicated call center and on-line chat services as well as Enabled ATMs for disabled customers. Working in cooperation with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities), Yapı Kredi adds value to the lives of disabled citizens. Within the scope of this collaboration, 238 books were transferred onto digital media, converted into audio books and made available 7/24 to disabled citizens on the phone as of the end of 2016. The project 'Speaking is in our hands' was started through joint efforts with the Federation of the Hearing Impaired and 300 volunteers from branches were provided with sign language training. Enabled ATMs started service for the orthopedically impaired citizens in 2009 and for the visually impaired citizens in 2010. Yapı Kredi facilitates the lives of its orthopedically and visually impaired customers via 2,210 Enabled ATMs throughout Turkey. One of the projects started in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2016, a total of 6 disabled individuals have been employed by Yapı Kredi.
- **I Know No Barriers for My Country:** Yapı Kredi sustained its support to the project 'I Know No Barriers for My Country' led by Koç Holding. In this content 4,127 employees of Yapı ve Kredi have completed "I know No Barriers for My Country" e learning trainings of the end of 2016. Number of the schools in which the physical conditions were improved to ensure better access for disabled students has raised to 10 through the "Koç Growth for My Country Variable Fund".

## Sustainability and Yapı Kredi

- **Sustainability Report:** Yapı Kredi prepared the 2015 Sustainability report in accordance with the principles of G4 Reporting Guidelines core option, by the Global Reporting Initiative (GRI).
- **BIST Sustainability Index:** In 2016, BIST-50 companies and additionally BIST-100 companies who volunteered were included in the assessment by the London-based Ethical Investment Research Service (EIRIS) within the framework of BIST Sustainability Index established by Borsa Istanbul. Yapı Kredi was included among the 43 companies on the BIST Sustainability Index as the result of the assessment thanks to its successful performance in environmental, social and corporate governance areas.
- **Carbon Disclosure Project:** Yapı Kredi, as a symbol of value to climate change has been joined to Carbon Disclosure Project (CDP) for the first time in 2016.
- **Gender Equality for My Country:** Yapı Kredi plays an active role in the project 'I Support Gender Equality for My Country' started in June 2015 under the leadership of Koç Holding. This project aims to raise awareness on the reasons and consequences of gender inequality. Within scope of the project, trainings has been provided by volunteered trainers to General Headquarters and Branch employees. Within the context of "Koç Growth for My Country Variable Fund" with ACEV the project named "Fathers Changing Society Changing" has been initiated. With the project initiated at March 2016 till at end of March 2017, aiming to provide gender equality training to 600 fathers at 9 different cities.

## Educational Projects

**I Read, I Play:** Yapı Kredi has been running the project 'I Read, I Play' since 2006 in cooperation with the Educational Volunteers of Turkey Foundation (TEGV) to provide primary education students not having access to contemporary education opportunities to engage in out-of-school education activities. The project has been delivered by more than 3,500 volunteer at all 48 project points comprising of 10 educational parks and 38 learning units. This project has reached more than 130 thousand children as of the end of 2016

## Environmental Projects

- **Recycling Project:** Yapı Kredi has been running a recycling project since 2008 to support sustainability of natural resources. In 2016, approximately 1 million kilograms of paper, more than 3 thousand kilograms of plastic, more than 900 kilograms of glass and approximately 200 kilograms of metals were collected for recycling process. Furthermore, Yapı Kredi prevented the emission of more than 36,214 tons of carbon dioxide, the cutting of over 16,823 trees and the wasting of 25,733 cubic meters of water, 50,829 kWh of energy and 15,1 tons of crude oil.
- **ISO 14064:** Yapı Kredi continues the ISO 14064 Greenhouse Gas Emissions Reporting certification process annually, which has been initiated in 2011. The certification process for 2015 was completed in 2016.
- **ISO 14001:** Yapı Kredi has been completed the certification process of ISO 14001 Environmental Management Systems for its headquarters buildings Yapı Kredi Plaza D Block and Banking Base in 2016.

## Relations with the Academic Community

- **Anatolian Scholarship:** In 2016, Yapı Kredi sustained its support for the Anatolian Scholars Program established by Koç University in 2011 by increasing the number of scholars supported to 5.
- **Yapı Kredi Banking and Insurance Academic Program:** In 2015, Yapı Kredi undertook another first in the field of education and collaborated with MEF University to launch the Yapı Kredi Banking and Insurance Associate Degree Program. The two-year associate degree program aims to educate future bankers and provide graduates employment opportunities. Program is continuing with 100 students in the 2016-2017 academic year.
- **Yapı Kredi Vocational and Technical High School:** Established in Kocaeli, Yapı Kredi Vocational and Technical High School started its educational activities in 2008 and has been one of the most important efforts by Yapı Kredi in the field of education. The school produced its first graduates in 2012 and now delivers education to over 500 students in the departments of child development and education, graphics and photography, IT, catering and office management. Additionally, 20 students benefited from the merit-based scholarship in 2016.

In 2016, Yapı Kredi channeled TL 3,6 million towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 11,1 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 regulations. 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 and appointed due to position change at the Shareholders' Meeting on March 31, 2016 in order to serve until the Annual Shareholders' Meeting where the 2016 activities will be discussed is available in the following table (as of 31.12.2016) 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 Position outside the Corporation	Whether or Not Independent Member of Board of Directors	Committee Membership and Positions
Y.Ali Koç	Chairman	Chairman of Board of Directors at Koç Holding A.Ş., Koç Finansal Hizmetler A.Ş. and Chairman of the Board of Directors, Vice Chairman and Member Board of Directors at Koç Holding Group Companies	Not Independent	-
Carlo Vivaldi	Vice Chairman of The Board of Directors	Head of UniCredit Group Middle East and East Europe, UniCredit Group Executive Committee Member, Member of Board of Directors at some of the UniCredit Group Companies, Vice Chairman of Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Alternate Member of Credit Committee, Remuneration Committee Member
H. Faik Açıklalın	Executive Director and Chief Executive Officer	Chief Executive Officer and Executive 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
Niccolò Ubertalli	Executive Director and Deputy CEO	Executive Director and Deputy CEO at Koç Finansal Hizmetler A.Ş. Vice Chairman and Board Member at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Vice Chairman of Credit Committee, Vice Chairman of executive Committee
Levent Çakıroğlu	Member of Board of Directors	CEO at Koç Holding A.Ş., Member of Board of Director at Koç Finansal Hizmetler A.Ş. and Member of Board of Directors at Koç Group Companies	Not Independent	Member of Remuneration Committee
F. Füsün Akkal Bozok	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş. Lecturer at Sabancı University	Not Independent	Member of Credit Committee
Ahmet Fadil Ashaboğlu	Member of Board of Directors	CFO at Koç Holding A.Ş., Member of Board of Directors at Koç Group Companies, Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Member of Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Not Independent	-
Wolfgang Mag.Schilk(1)	Member of Board of Directors	Head of Middle East and East Europe Risk Management at UniCredit, Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Chairman of Audit Committee, Member of Credit Committee
Mirko Davide Georg Bianchi	Member of Board of Directors	CFO at UniCredit Group, Member of Board of Directors at some of UniCredit Group Companies, Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Member of Corporate Governance Committee,
Gianfranco Bisagni(1)	Member of Board of Directors	Co-Chairman of UniCredit Corporate and Investment Banking Member of board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	
Aykut Ümit Taftalı	Member of Board of Directors	Member of Steering Committee at Koç Holding, Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Member of Board of Directors at Kare Holding, Member of Board of Director at Kiraca Holding and Member of Board of Directors at Kiraca Holding Companies	Not Independent	Alternate Member of Credit Committee
Giuseppe Scognamiglio	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Member of Executive Committee at UniCredit, Executive Vice President for Group Institutional & Regulatory Affairs and the Member of the Steering Committee of ABI (Italian Banks Association).	Not Independent	-
Adil Giray Öztoprak	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Member of Board of Director (Independent) at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Independent	Member of Audit Committee, Member of Corporate Governance Committee,
Giovanna Villa(2)	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş. Member of the Audit Committee at some companies at abroad.	Independent	Member of Audit Committee

- (1) By the resolution of Board of Directors dated 13 October 2016 Mr. Wolfgang Mag.Schilk and Mr. Gianfranco Bisagni have been appointed to displace Mr. Jürgen Dr.Kullnigg and Gianni Franco Giacomo Papa' who resigned Membership of Board of Directors as the resolution date.
- (2) By the resolution of Board of Directors dated 18 April 2016 Mrs. Giovanna Villa has been appointed to displace Benedetta Navarra who resigned at 14 April 2016.

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 18.01.2016 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 04.02.2016 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. Giovanna Villa whom resume and declaration of independent declaration were evaluated by Corporate Governance Committee, was nominated as candidate for Independent Member to the Board of Directors at 18.04.2016 to displace Benedetta Navarra who resigned at 14.04.2016. It was decided in CMB's meeting held on 12.05.2016 that no negative opinions be submitted for Giovanna Villa.

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 same 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 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. Within this framework, end of 2016, the other Independent Members of the Audit

Committee was Wolfgang Schilk , with Giovanna Villa and Adil Giray Öztoprak having the qualifications set during the 2016 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 14% in 2016.

## 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 2016, 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 2016 was 90%.

Meeting invitations are sent to all Members 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. 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 decision making 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 14 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 bi-weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2016, the Executive Committee convened 20 times with the required majority and 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
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organisational changes
- Optimising market risk 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	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Patrick Josef Schmitt <sup>(1)</sup>	Assistant General Manager - Risk Management (CRO)
Member	Massimo Francese <sup>(2)</sup>	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	M. Gökmen Uçar	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 Board resolution dated 17 June 2016, Patrick Schmitt was appointed as Assistant General Manager in charge of Risk Management as of 1 September 2016, replacing Wolfgang Schilk

(2) Based on Board resolution dated 18 January 2016, Massimo Francese was appointed as Assistant General Manager in charge of Financial Planning and Administration as of 1 March 2016, replacing Marco Iannaccone



## 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 the 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 2016, the Credit Committee convened 51 times with the required majority and 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. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

### Credit Committee Principal Members<sup>(4)</sup>

Chairman	H. Faik Açıkalın	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Wolfgang Schilk <sup>(3)</sup>	Member of the Board of Directors

### Credit Committee Alternate Members<sup>(4)</sup>

Alternate Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Alternate Member	A. Ümit Taftalı	Member of the Board of Directors

(3) Based on Board resolution dated 13 October 2016, Wolfgang Schilk was appointed as a Member as of the same date, replacing Dr. Jurgen Kullnigg

(4) Based on Board resolution dated 18 April 2016, Principal Members of the Credit Committee were determined as 4 members. H. Faik Açıkalın was appointed as Chairman, Niccolò Ubertalli as Vice Chairman, F. Füsün Akkal Bozok and Dr. Jurgen Kullnigg as Principal Members. With the same resolution, Carlo Vivaldi and A. Ümit Taftalı were appointed as Alternate Members

## 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 2016, the Audit Committee convened 4 times with the required majority and 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 auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

### Audit Committee Members<sup>(5)</sup>

Chairman	Wolfgang Schilk <sup>(6)</sup>	Member of the Board of Directors
Member	Giovanna Villa <sup>(7)</sup>	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

(5) Based on Board resolution dated 18 April 2016, Members of the Audit Committee were determined as 3 members. Mirko D. G. Bianchi was appointed as Chairman, F. Füsün Akkal Bozok and Dr. Adil G. Öztoprak as Members

(6) Based on Board resolution dated 13 October 2016, Wolfgang Schilk was appointed as Chairman as of the same date, replacing Mirko D. G. Bianchi

(7) Based on Board resolution dated 29 June 2016, Giovanna Villa was appointed as a Member as of the same date, replacing F. Füsün Akkal Bozok

## 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 2016, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

### Corporate Governance Committee Members

Member	Mirko D. G. Bianchi <sup>(8)</sup>	Member of the Board of Directors
Member	Adil G. Öztoprak <sup>(8)</sup>	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Massimo Francese <sup>(9)</sup>	Assistant General Manager - Financial Planning and Administration (CFO)

(8) Based on Board resolution dated 18 April 2016, Mirko D. G. Bianchi and Adil G. Öztoprak were appointed as Members as of the same date, replacing Carlo Vivaldi and Levent Çakıroğlu, respectively

(9) Based on Board resolution dated 18 January 2016, Massimo Francese was appointed as a Member as of the same date, replacing Marco Iannaccone

## 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 2016, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

### Remuneration Committee Members

Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent akirođlu	Member of the Board of Directors

## 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

As defined in our Financial Statements Chapter fifth footnote no: VII.b In 2016, TL 48.113 thousand (Group: TL 56.454 thousand) 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 31, 2016 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 28, 2017 where the 2016 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.