



## Corporate Governance

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As a company focusing on creating value through a financially profitable business model that respects people and the environment, Arçelik structures its corporate governance principles within the framework of accountability, responsibility, fairness and transparency. Arçelik's success of many years relies on its transparent management approach in all business processes.

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## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## Corporate Social Responsibility Approach

Sustainable use of the earth's limited resources is not only the responsibility of individuals, governments and nongovernmental organizations (NGOs), but companies as well. The company carries out its activities with a view to create a more livable world for next generations.

Responsibilities towards "Sustainable Development", environmental awareness and social sensitivity and operating in full compliance with laws, ethical standards and human rights constitute the "Corporate Social Responsibility" of the Company. Drawing its strength from the corporation values and the principle of "I exist only if my country exists" determined by dear deceased Vehbi Koç, the founder, the Company strives to fulfill its responsibilities together with its employees and all of its business partners.

## Corporate Governance Approach

The Company's corporate values, ethical approach, good governance philosophy and code of conduct guide the employees to fulfill their responsibilities.

In line with international business standards, for long-term productivity and success of the Company, it is inevitable to convey four principles of corporate governance: accountability, responsibility, fairness and transparency, which build trust between stakeholders and corporations, to its activities.

Arçelik A.Ş. is conscious of the fact that the methodology for fulfilling the promises on trust and stabilization against the Company's stakeholders and investors can be achieved by sound corporate governance. The positive impacts of Company's performance on "Corporate Governance Principles" are clearly observed in especially meetings conducted with corporate investors. The company not only depends on its business results and robust capital structure to achieve its profitability targets, but also on its "Corporate Reputation", an important asset that has been established over many years.

## Corporate Governance Principles Compliance Report

## SECTION I: Statement of Compliance with Corporate Governance Principles

Implementation and actualization of Corporate Governance Principles, which were issued by Capital Markets Board (CMB) under decision number 35/835 on 04.07.2003 and shared with the public on July 2003, is important especially for the creditworthiness and financial opportunities of publicly traded corporations. The said principles that reveal the quality of corporate governance have been adopted by the Company. As per CMB resolution No. 48/1588 on 10.12.2004, it has been decided that the companies traded at Istanbul

Stock Exchange (ISE) shall include their statements related to their conformance with mentioned Corporate Governance Principles in their annual reports and on their websites (if any), beginning from their 2004 annual reports. In accordance with the aforementioned resolution, Arçelik A.Ş. has set up an in-house team to examine the compliance with these principles, and in consequence of these studies as of 2004, information on Compliance with Corporate Governance has been included in its annual reports and on its website. Corporate Governance Principles were revised upon Corporate Governance Communiqué of CMB No: II-17.1, which was published in the Official Gazette dated 03.01.2014. While fully complying with the obligatory principles, which are in effect in 2018, within the scope of Corporate Governance Communiqué No: II-17.1, the Company has also complied with the majority of nonobligatory principles. Although also the full compliance with nonobligatory principles is aimed, full compliance is not yet achieved due to reasons such as challenges encountered in the implementation of some principles, on-going discussions both in our country and international platform about compliance with some principles and some principles that not well-suit to current structures of market and company. Studies on the principles which are not yet put into practice still carries on and it is planned to carry into practice upon the finalization of administrative, legal and technical infrastructure works that will contribute to the efficient governance of our company. Comprehensive works performed within the frame of corporate governance principles within the structure of our Company and in the related sections principles which have not been complied yet and if any, conflicts of interest arisen due to this have been explained below.

The works conducted on Corporate Governance in 2018 have been carried out in compliance with the Capital Market Law containing regulations on the corporate governance principles of the CMB and with the communiques prepared based on this Law. Amendments in articles of association required to comply with New Turkish Commercial Code and Capital Market Law have been accepted in our Ordinary General Assembly dated 28.03.2013. Our board of directors and committees of the board of directors were established in our 2018 Ordinary General Assembly in compliance with the regulations in Corporate Governance Communiqué. Independent membership candidates were determined and publicly announced before the general assembly and the election was completed in compliance with the regulations. Established Board of Directors' Committees efficiently conduct their operations. Remuneration Policy for Board of Directors and Senior Executives was determined again and approved by the Ordinary General Assembly. The general assembly information document and general assembly information such as privileged shares, voting rights, organizational changes which are obligatory to be explained as per the

## CORPORATE MANAGEMENT PRINCIPLES COMPLIANCE REPORT

principles, resumes of nominees for Board Members, remuneration policy for Board of Directors and Senior Executives, associated party transactions and other information that needs to be explained have been submitted for our investor's information 3 weeks before the Ordinary General Assembly dated 19.03.2018 at the latest. All of our related party transactions have been submitted for the information of Board of Directors and with the approvals of our independent board members; the continuity of the said transactions has been decided. Furthermore, necessary revisions have been made in terms of full compliance with principles by revising our company's website and annual report. Also, in the forthcoming period, necessary works are going to be performed by considering the improvements and implementations in legislation for compliance with the principles. The corporate governance rating of our Company previously rated as 9.52 out of 10 (95.23%) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) as disclosed to the public in our special case statement dated 21.07.2017 was updated as 9.53 (95.35%) out of 10 as a result of the revision by SAHA on 20.07.2018.

Our Corporate Governance Rating has been determined as a result of an evaluation made under four main topics (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted based on CMB's Corporate Governance Principles and current distribution based on main topics are provided below:

Main Sections	2017 Rating	2018 Rating
Shareholders	9.52	9.52
Public Disclosure and Transparency	9.72	9.72
Stakeholders	9.91	9.91
Board of Directors	9.22	9.25
Total	9.52	9.53

The report issued by SAHA on the corporate governance rating is available on our Company's website at [www.arcelikas.com](http://www.arcelikas.com) address. SAHA made the following assessment in the report dated 20.07.2018:

"Corporate governance rating of Arçelik A.Ş. was revised as specified above considering the importance that Arçelik gives to the corporate governance principles, willingness to execute this as a continuous and dynamic process and improvements realized in that direction since July 2017." Our Company has been included in ISE (BIST) Corporate Governance Index since 31.07.2009.

## Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of fully complying with the Corporate Governance Principles. However, full compliance with some principles has not yet been achieved due to reasons such as challenges which may be encountered in the implementation and may cause delay of company activities, on-going

discussions both in our country and on international platforms about compliance and not well-suited to current structures of market and company. For example,

- Concerning the principle no. 1.5.2; minority rights were not entitled to the ones having lower than one out of twenty of the capital with articles of association, the rights were provided within the frame of general regulations in the legislation.
- Concerning the principle no. 4.3.9; no target ratio or target time is determined for woman member ratio in the Board of Directors and evaluation studies are still ongoing regarding the issue. Detailed information regarding the issue is provided in part 5.1.
- Concerning the principle no. 4.4.5, although our Company has processes on how to hold board of directors meetings that were maintained consistently for many years, we do not have a written in-house regulation specific to this topic.
- Concerning the principle no. 4.4.7, as explained in part 5.1 below, there isn't any restriction for the members of the board of directors to handle other tasks apart from the company.
- Concerning the principle no. 4.5.5, assignment in committees are performed in accordance with relevant regulations, taking into consideration the know-how and experiences of our members of the board of directors. Only one independent member of the board of directors was assigned in two committees. Members serving in multiple committees ensure inter-committee communication between committees working on related issues and increase the opportunities for cooperation.
- Concerning the principle no. 4.6.1, no specific study was performed for the purpose of performance evaluation at the board of directors level.
- Concerning the principle no. 4.6.5, payments to the members of the board of directors and managers with administrative responsibility are publicly disclosed in accordance with general practices in our Ordinary General Assembly and in the footnotes of our financial statements.

Full compliance with nonobligatory principles is not secured and the Company is not subject to any conflict of interests. The 2018 Corporate Governance Compliance Report (CGCR) and the Corporate Governance Information Form (CGIF) that comply with Arçelik A.Ş.'s new reporting format to be prepared in accordance with the decision of the CMB dated 10.01.2019 and numbered 2/49, shall also be disclosed to the public on the Public Disclosure Platform within the period specified by the CMB.

Efforts for full compliance with the Corporate Governance Principles have been continued by preparing a corporate governance action plan concerning the areas that still need improvement in corporate governance implementations as determined in the Corporate Governance Rating Report for Arçelik A.Ş. prepared by SAHA.

## SECTION II: SHAREHOLDERS

### 2.1. Investor Relations Department

The tasks of the Investor Relations Department regarding the communication between the Company and investors are carried out by Hande Sarıdal, Finance Director; Faik Bülent Alagöz, Capital Markets Regulation Compliance Manager and Orkun İnanbil, Investor Relations Manager; under the coordination of Polat Şen, Assistant General Manager of Finance and Accounting. With the Board Decision dated 27.03.2018, Polat Şen was assigned as a member of the Corporate Governance Committee.

Licenses of the persons within Investor Relations Department as of 2018 are provided below:

Name-Surname	Title	Type of License Certificate	License Certificate No.
Polat Şen	Assistant General Manager- Finance and Accounting	-	-
Hande Sarıdal	Finance Director	Capital Markets Activities Advanced Level License	202801
Faik Bülent Alagöz	Capital Market Regulation Compliance Manager	Capital Markets Activities Advanced Level License Corporate Governance Rating License	203781/700495
Orkun İnanbil	Investor Relations Manager	-	-

Contact information of Investor Relations Department staff in 2018 are below:

**Polat Şen**  
Assistant General Manager - Finance and Accounting  
0212 314 31 00  
[polat.sen@arcelik.com](mailto:polat.sen@arcelik.com)

**Hande Sarıdal**  
Finance Director  
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**Faik Bülent Alagöz**  
Manager - Capital Market Regulation Compliance  
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**Orkun İnanbil**  
Manager-Investor Relations  
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[orkun.inanbil@arcelik.com](mailto:orkun.inanbil@arcelik.com)

**Fax** : 0212 314 34 90  
**e-mail** : [yatirimciiliskileri@arcelik.com](mailto:yatirimciiliskileri@arcelik.com) - [investorrelations@arcelik.com](mailto:investorrelations@arcelik.com)

Activities carried out in 2018 in order to provide detailed information to investors about the Company's operations is summarized in the following table:

Number of investor conferences and roadshows held in Turkey and abroad	10
Number of interviews with investors and analysts	530
Number of teleconferences organized for the disclosure of financial results as of the end of 2017 and the first 9 months of 2018	4
Number of press meetings organized in Turkey and abroad	10

### 2.2. Use of Shareholders' Rights to Obtain Information

Major activities executed in Investor Relations Department are as follows:

- Keeping the records of shareholders in a proper, secure and up-to-date manner,
- Responding to shareholders' oral or written queries for information regarding the company, excluding undisclosed information that is considered confidential and trade secret,
- Ensuring that the General Assembly is conducted in accordance with the applicable legislation, articles of association and other internal regulations,
- Preparing documents to be used by shareholders during the General Assembly,
- Keeping records of voting results and ensuring that all reports related to resolutions are delivered to shareholders,
- Observing and monitoring all issues regarding public disclosures, including applicable legislation and the company's disclosure policy,
- Attending meetings held at company headquarters as well as other local and international meetings organized by various organizations and informing investors of these meetings,
- Providing information to analysts who make assessments about the company,
- Responding to information requests made by academicians who carry out research about the company and industry,
- Preparing the content, both in Turkish and English, to be posted on the investor relations section of the company's corporate website ([www.arcelikas.com](http://www.arcelikas.com)), updating the page as frequently as possible, and ensuring that shareholders are able to access company information easily and quickly via Internet,
- Making available up-to-date information on statements which may affect the use of shareholders' rights on the corporate web site,
- Filing material events disclosures through the PDP (Public Disclosure Platform), in accordance with the CMB Communiqué no. II-15.1,
- Monitoring changes in the applicable legislation related to the Capital Market Law and bring these to the attention of concerned units in the company,
- Representing the company at the Capital Markets Board, Istanbul Stock Exchange, and Central Registry Agency (CRA).

The report prepared regarding the activities conducted by Investor Relations Department in 2018 was first submitted to the Corporate Governance Committee to review on 08.02.2019.

In the use of rights of shareholders, the legislation, articles of association and other internal regulations are applied, and necessary precautions are taken to ensure the use of these rights and all shareholders receive equal treatment. In Arçelik A.Ş., the Investor Relations Unit operates under the authority of Assistant General Manager of Finance and Accounting. The primary objective of the company is to ensure that shareholders exercise their right to obtain information in a fair and complete process. Furthermore, the Company enables its shareholders to exercise their rights, which they are entitled to as partners, fully and as soon as possible. In the Company no discrimination is applied among shareholders in the use of their right to obtain and evaluate information. Each shareholder has right to obtain and evaluate information.

The queries directed to Investor Relations Unit, excluding undisclosed information that is considered confidential and trade secret, are responded either via phone or in written by obtaining information from the highest authority of related subject. As explained in Part 3.1 of this report, every kind of information and statement, which may affect the use of shareholders' rights are included on the website.

With the intent of extending the shareholders' rights to obtain information and enable them to exercise their rights in an accurate way, up-to-date financial statements as well as necessary information and documents are provided on the Company's website ([www.arcelikas.com](http://www.arcelikas.com)) both in English and in Turkish. During this period, oral or written information requests addressed by the shareholders have been responded orally or in written without discrimination among shareholders within the frame of Capital Markets Regulation. Material event disclosures required to be submitted to the PDP along with financial statements and other company information are submitted digitally with electronic signatures.

Notwithstanding that the Company Articles of Association do not include any provisions regarding the right to demand special auditor as an individual right, as per Article 438 of Turkish Commercial Code, each shareholder, in case it is necessary for being able to exercise the shareholder right and if the right for obtaining or evaluating information had been exercised previously, may demand general assembly to clarify specific matters through with a special audit even if it is not included in the agenda. The Company has also not received such a request during the period. In addition, the operations of the Company are periodically audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., an independent auditing firm (a member firm of Ernst & Young Global Limited) elected during General Assembly.

## SECTION II: SHAREHOLDERS

### 2.3. General Assembly

In order to ensure attendance of maximum number of shareholders, announcements of invitation to the General Assemblies are made through all available means of communication, including electronic media, at least three weeks in advance. Our Articles of Association have been issued accordingly.

In addition to the announcements of General Assemblies and announcements and disclosures, which are required by the applicable legislation, the following matters are notably announced to our shareholders on our Company's website as well:

- a) The total number of shares and voting rights, which reflect the shareholding structure of the company, as of the date of announcement,
- b) Changes in management and activities at the Company or the Company's subsidiaries and affiliates that would have a crucial impact on any activities, and which took place in the previous accounting period or are planned in the next accounting period,
- c) In the event that the agenda of the General Assembly contains any items which stipulate the discharge, change or election of any members of the Board of Directors, the justification for these and information on the individuals who would be nominated for the Board of Directors;
- d) Requests of shareholders, Capital Markets Board (CMB) and/or other institutions and organizations related to the company for any items to be included on the agenda,
- e) In the event that the agenda of the General Assembly contains any items that stipulate for an amendment to any of the articles of association, the list of previous and current items to the articles of association alongside the relevant Board of Directors' resolution.

Concerning the fulfillment of the obligation stipulated in paragraph (c), résumés of individuals who shall be nominated for the Board of Directors; their employment history for the past ten years and reasons for leaving their prior employment; the nature and prominence of their relationships with the company and the company's affiliates whether they can be considered independent or not, and in the event that these individuals are elected as members of the Board of Directors, information on similar issues to affect the company operations.

All shares of the company's capital stock are nominative. An informative document regarding the agenda items shall be prepared and disclosed to the public on the company's corporate website and PDP prior to the General Assembly. General Assemblies are held open to the public, including stakeholders and members of the media, provided that they do not have the right to speak at the meeting as per Company's Articles of Association.

The Company held 1 Ordinary General Assembly Meeting and 1 Extraordinary General Assembly Meeting in 2018.

During the Ordinary General Assembly, which was held on Monday, March 19, 2018 and during which the Company's 2017 operations were discussed, 58.093.234.952 shares (85.97%) of 67,572,820,500 shares, which is the total of Company's capital, were represented physically and on electronic environment. Company's shareholders (either in person or by proxy), stakeholders and members of media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. During the General Assembly Meetings, questions directed by shareholders are answered. In cases when the question being asked is not related to the agenda or is too complicated to be answered during the meeting, the answers thereto are provided by Investor Relations Unit in writing. No question was asked requiring such written response in the General Assembly dated Monday, March 19, 2018.

During the Extraordinary General Assembly, which was held on Tuesday, June 26, 2018 and during which the partial demerger process was discussed, 57.752.305.133 shares (85.47%) of 67,572,820,500 shares, which is the total of Company's capital, were represented physically and on electronic environment. The Company's shareholders, in person or by proxy, its stakeholders and members of media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. During the General Assembly Meetings, questions directed by shareholders are answered. In cases when the question being asked is not related to the agenda or is too complicated to be answered during the meeting, the answers thereto are provided by Investor Relations Unit in writing. No question was asked requiring such written response in the General Assembly dated Tuesday, June 26, 2018.

Summary of the resolutions made at the Extraordinary General Assembly on partial demerger are as follows.

- In the 2<sup>nd</sup> item of the agenda; it was notified that the Demerger Plan, the Demerger Report, the Financial Tables and the Annual Reports of the last three years were made available at the Company Headquarters for review of the shareholders for two months beginning on 11.04.2018 before being submitted to the approval of the General Assembly and publicly disclosed (through the Public Disclosure Platform, the Company's www.arcelikas.com website and the Turkish Trade Registry Gazette dated 12.04.2018). The shareholders were informed on "Announcement on Right to Review", "Announcement on Protection of Creditors" and Certified Public Accountant's Report on Determination of Equities as per the Turkish Commercial Code.
- In the 3<sup>rd</sup> item of the agenda, the shareholders were informed on the Statement of the Board of Directors that no rights of clearance were entitled with the partial demerger as per the Capital Markets Board Communiqué II-23.1 "Principles and Right of Clearance Applicable for Significant Transactions."
- In the 4<sup>th</sup> item of the agenda, it was decided that the Demerger Report and Demerger and their annexes are approved, that the assets and liabilities of the industrial motor production, services and the R&D activities related thereto are integrally and universally transferred to WAT MOTOR SANAYİ VE TİCARET ANONİM ŞİRKETİ which will be incorporated as a 100% subsidiary of the Company by partial demerger and that the assets and liabilities of the payment systems operations and the R&D activities related thereto are integrally and universally transferred to TOKEN FİNANSAL TEKNOLOJİLER ANONİM ŞİRKETİ which will be incorporated as a 100% subsidiary of the Company by partial demerger and the transfer will be registered in the Articles of Association of WAT MOTOR SANAYİ VE TİCARET ANONİM ŞİRKETİ at the Çerkezköy Trade Registry Directorate and in the Articles of Association of TOKEN FİNANSAL TEKNOLOJİLER ANONİM ŞİRKETİ registered at the Istanbul Trade Registry Directorate in accordance with TCC Article 159, simplified demerger provisions of the Merger and Demerger Communiqué by the Capital Markets Board and Articles 19 and 20 of the Corporate Tax Law.

The Minutes of the Company's Extraordinary General Assembly Meeting dated 26.06.2018 was registered by Istanbul Trade Registry Directorate on 29.06.2018.

- According to the Articles of Association, the General Assembly was announced at least three weeks before the General Assembly in PDP, in the Turkish Trade Registry Gazette, on the company's corporate website, in Electronic General Assembly System, and on e-company in an effort to reach the highest possible number of shareholders besides the procedures stipulated through the legislation.
- All announcements comply with Corporate Governance Principles.
- Starting with the invitation date of the General Assembly, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Assembly, supplementary documents pertaining to the agenda, the current Articles of Association, the text and reasons of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the company's corporate website for the convenience and open review of shareholders.
- The Company prepares a clear agenda of the General Assembly to avoid any ambiguities and misunderstandings. Such information consists of references and citations pertaining to the agenda items to be discussed.
- Examples for power of attorney are announced and posted on the company's corporate website for shareholders represented by proxy.
- Voting procedure is announced prior to the meeting and shareholders are duly informed via the company's corporate website.
- During the General Assembly Meetings held on Monday, March 19, 2018 and Tuesday, June 26, 2018, the Company did not receive any requests from shareholders for any additional items to be included on the agenda.

## SECTION II: SHAREHOLDERS

General Assemblies are conducted with minimum costs and simplest method and as not to cause inequality among shareholders. By facilitating the participation of shareholders residing both in the country and abroad, they are enabled to participate in General Assembly.

Besides, all documents that may be needed by foreign shareholders in order to be informed about the General Assembly and agendas are translated into English and sent via the banks performing the barter and holding transactions of such shareholders and are also posted on the company's corporate website.

The company makes every effort to hold its General Assembly close to the city center for greater participation and convenience. The number of participants is tracked annually and the meeting venue is designated according to the number of participants. The Ordinary General Assembly dated 19.03.2018 and the Extraordinary General Assembly dated 26.06.2018 were held at the following address: "Divan İstanbul Elmadağ, Asker Ocağı Caddesi No:1 34367 Şişli İstanbul". The location of the General Assembly was easily accessible to all shareholders. Invitations to the General Assembly are issued by the Board of Directors according to the provisions of the Turkish Commercial Code (TCC), Capital Market Law and the Articles of Association. Resolutions made by the Board of Directors for the convention of General Assemblies are shared with the public via disclosures filed with the PDP.

As per the regulations of CMB, it is obligatory to disclose financial statements to the public within 11 weeks after the end of accounting period. However, the company discloses its financial statements much earlier. The financial statements for 2018 year-end were disclosed during the 5th week. Following the disclosure of financial results, preparations for General Assembly are started and General Assembly is conducted upon the finalization of required legal procedures. This year's General Assembly will be conducted within three months after the accounting period. During the General Assembly, subjects included in the agenda are conveyed to shareholders in detail and fairly with a clear and understandable method; proper discussion environment is created where shareholders are provided with equal opportunities to express their opinions and raise questions. For the featured subjects included in the agenda, related board members, related other persons, authorized persons and auditors who are responsible for preparing the financial statements participate in the General Assembly in order to answer the questions and provide necessary information.

The shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the company's Board of Directors and senior executives.

The General Assembly is provided with information on processes, if any, based on the permission acquired by shareholders having the governance control, members of Board of Directors, managers with the responsibility of administration and their spouses and second-degree blood and kinship relatives at the General Assembly to perform tasks within the Company's area of operation in line with articles 395 and 396 of Turkish Commercial Code. There was no transaction of significance to cause a conflict of interest between the mentioned persons and the publicly traded company and its subsidiaries under the principle no. 1.3.6. of the Corporate Governance Communique in 2018.

As per clause 4 of the article 415 of the new Turkish Commercial Code no. 6102 and the clause 1 of the article 30 of the Capital Market Law no. 6362, it is no longer a requirement to store share certificates to acquire the right to participate in the General Assembly and the right to vote. Therefore, our partners who wish to participate in the General Shareholders' Meeting are not required to block their shares before the Central Registry Agency.

At the General Assembly, votes of shareholders on the agenda subjects are recorded in the minutes of meeting. Each agenda topic is voted separately at the meeting. The General Assembly is conducted under the supervision of a Commissioner from the Ministry of Customs and Trade.

General Assembly is informed about donations and aids which are made by the Company to foundations and associations for social relief with a separate agenda topic. At the Ordinary General Assembly held in 2018, information on the donations and aids in 2017 was provided with a separate agenda topic and the upper limit for donations in 2018 was determined to be 0.2% (two per mille) of last year's revenue and there has been no change in the donation policy.

The minutes of the General Assembly are posted on the corporate website and are also made available to shareholders at the company's headquarters and given upon request.

### 2.4. Voting and Minority Rights

The voting procedures at the General Assembly are announced to shareholders at the beginning of the meeting. Applications, which cause inconvenience for the exercise of voting right, are avoided in the Company and each shareholder, including residing abroad, is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient manner.

The company's Articles of Association does not include any special voting privileges. Each share has one voting right. Any legal entity, which is the affiliate of The Company, does not exist among the Company's shareholders. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

Shareholders representing the minority rights compose the Management together with majority shareholders by their participation at General Assembly. In 2018, our company has not received any criticism or complaint concerning this issue. Minority rights are determined to be no lower than one-twentieth of the capital by the Articles of Association.

### 2.5. Dividend Rights

The dividend distribution policy approved by the shareholders as 6th Agenda article in Ordinary General Assembly held on 27.03.2014 has been determined as:

"Our company performs dividend distribution within the frame of the provisions of Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations and the article regarding dividend distribution in our Articles of Association. The distribution of dividends is based on a balanced and consistent policy between shareholders and corporate interests in accordance with Corporate Governance Principles. As a principle, 50% of the distributable term profit (calculated as per the Capital Market Regulations) is distributed in the form of cash and/or bonus shares to the extent allowed by the relevant regulations and financial facilities as long as they have provisions in the existing resources specified in our legal records on the basis of market expectations, long-term Corporate strategy, investment and finance policies, profitability and cash position. The purpose is to distribute dividends within maximum one month after the General Assembly, which also decides on the date of distribution of dividends. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations. The Articles of Association of the Company states that The Board of Directors may distribute dividend advance provided that it is authorized by the General Assembly, and that it complies with the Capital Market Regulations."

Dividend distribution policy of the Company is included in the Annual Report and posted on the company's corporate website.

The company's profit distribution process is carried out in accordance with TCC (Turkish Commercial Code) and CMB, within statutory periods. At the Ordinary General Assembly dated Monday, March 19, 2018, it has been decided to distribute gross dividend rate at the rate of 64.375% (net 54.719%) based on 2017 financial results and as of March 26, 2018, dividend distribution has started. The Articles of Association do not grant any privileges regarding profit sharing.

### 2.6. Transfer of Shares

The Articles of Association do not include any provisions which obstruct the free transfer of shares and restricting the transfer of shares. CMB regulations are applied in terms of takeover of Company's nominative shares treated in the stock market.

## SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Corporate Web Site and Its Content

The Company uses its corporate website (www.arcelik.com) actively in order to communicate more effectively and rapidly and to be constantly in touch with its shareholders, in accordance with CMB's Principles. The information provided here is updated regularly. The information posted on the company's website is the same as and/or consistent with the material event disclosures made in accordance with the applicable laws, they are complete and do not contain any contradictory information.

In addition to the information required to be publicly disclosed by the applicable laws, the company's website provides the following information: trade registry information, the latest partnership and management structure, the notification that the company has not issued any privileged shares, the latest version of the company's Articles of Association together with dates and numbers of the Turkish Trade Registry Gazettes that contain the amendments made; material event disclosures, financial statements, annual reports, prospectuses and IPO circulars, agendas of General Assembly and list of attendants and minutes, proxy voting form, dividend distribution policy, disclosure policy, code of conduct of the company and answers to frequently asked questions. Accordingly, such information for the last 5 years is available on the company's website.

The company's website is provided both in Turkish and English in compliance with the content and design required by CMB's Principles. It is the responsibility of the Investor Relations Department to prepare, update and contribute to the content posted on the Investor Relations section of the company's website. The Company makes every effort to provide investors of its corporate website with better service.

The company is controlled by the main partner Koç Holding A.Ş., Koç Family and the companies owned by the same.

### 3.2. Annual Report

The Company Board of Directors prepares the company's annual reports in sufficient detail to ensure that the public is able to access complete and accurate information about the company's activities and as per the information listed in Corporate Governance Principles.

In addition to the information required to be included by the applicable law and in other parts of Corporate Governance Principles, annual reports contain the following;

- a) Information on positions held by members of Board of Directors outside the company in their resumes and their declaration of independence,
- b) Information on the names of members of the committees of the Board of Directors, the frequency of meetings and the functions carried out,
- c) Information about corporate social responsibility activities conducted by the company that have social and environmental consequences and that have an impact on the social benefits enjoyed by employees and the vocational training they receive.

## PART IV - STAKEHOLDERS

### 4.1. Informing Stakeholders

Stakeholders are third parties who are directly involved with the Company. The company provides information to its stakeholders on matters of interest by organizing meetings or using teleconferences. Taking into account the fact that engagement stakeholders would provide long-term benefits to the company, the Company respects the rights of its stakeholders that are protected by laws, mutual arrangements and contracts. The corporate governance structure of the Company allows all its stakeholders, including employees and representatives, to communicate their concerns regarding illegal or unethical practices to the company's senior management. Evaluating the complaints received by the Company is among the tasks of Audit Committee. Furthermore, the Internal Audit Department also evaluates the complaints and communicates them to the Audit Committee.

The Audit Committee determines the methods and criteria to be implemented on the review of the complaints received regarding the Partnership's accounting and internal control system and independent audit, and handles the notifications of partnership employees in relation to the Partnership's accounting and independent audit, observing the confidentiality principle.

Composing the dealership organization of the Company in Turkey and company employees, nearly 3,000 dealers constitute a major stakeholders group that is directly in relation with the Company. The company regularly informs its employees through the practices, communiques, circular letters, regulations and written notifications and at the same time it holds regular "Dealer Meetings" throughout the year to keep its dealers up-to-date on practices and campaigns, company policies, targets and recent economic developments as well as to create a more effective system by listening to the dealers' problems and concerns.

Besides, we have various efforts to increase collaboration with our direct and indirect 5000 suppliers whom we consider a significant link of our supply chain and stakeholders. The primary ones among those efforts are technology and innovation collaboration days, supplier days, supplier trainings, audits, visits, Arçelik corporate website and our supplier portal. As part of these efforts, a general briefing about Arçelik's vision, strategy, business goals and future actions is made, and our expectations from our suppliers in terms of sustainability is communicated.

Employee relations, which are managed by collective bargaining, are carried out through union representatives. The Company is a member of Metal Industrialists Union (MESS) and the blue-collar employees of the Company are the members of Turkish Metal Union.

The Collective Bargaining Agreement, which covers all Arçelik employees who are the member of union and is effective from Friday, September 1, 2017 through Saturday, August 31, 2019, was signed in Tuesday, January 30, 2018.

### 4.2. Stakeholders' Participation in the Company's Management

Particularly through suggestion system, call center, web site, face-to-face regular meetings for both employees as internal customers and dealers as external customers; mechanism and models supporting the participation of the stakeholders, particularly the company employees and the dealers, to the company management are included and developed in a way not to interrupt the operations of the company.

To encourage the participation of the stakeholders in the management, their demands determined through the tools like "suggestion, survey" are reflected on the operations of the company. Opinion and approval of the Labor Union are obtained for the implementation changes regarding the rights provided to the employees and working conditions and environment and the decisions are taken collectively. The Company also encourages its dealers, who are in close contact with the company, to participate in the company's management by organizing "Dealer Meetings".

The Company considers customer and supplier satisfaction among its top priorities. The Company monitors customer satisfaction regularly and issues reports. The Company cherishes the confidentiality of customer and supplier data, which are considered as trade secrets. Customer satisfaction policy of the company given below is shared with the stakeholders in writing and business and all management processes are shaped within the frame of this policy.

As Arçelik A.Ş. we adopt a customer-oriented approach which accepted as the main principle that customer request and suggestions for all of our brands we provide service to are easily communicated from each channel without profile discrimination (call center, e-mail, our websites www.arcelik.com.tr, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, fax, letter, live chat, whatsapp, social media, dealer), collected on a single traceable, reportable, transparent and safe information pool, these records are handled and evaluated in compliance with the legal regulations in an objective, fair and confidential way and processes are continuously controlled to bring perfect customer experience. In parallel with our approach, all processes are integrated into the management system and a structure controlling each other is established and thus, management targets are set via this system.

## PART IV - STAKEHOLDERS

The purpose of Arçelik Customer Communication Center is to put our clients in the core of our business and offer the best service experience on a 24/7 basis.

Our basic duties include ensuring recommendations and complaints on services / products are delivered to the relevant units and contribute to the development of new products that will meet expectations.

The call center services for our brands in Germany and Austria were continued to be provided in Turkey and the customer service hours of the Communication Center were extended to emphasize our customer-oriented approach also in our global operations, as other steps to position us as an international solution provider.

Since 2017 we continued to measure the quality of service that our customers received from our call center by using the internationally-accepted NPS methodology.

We provided many disabled young people with employment under "Home Agent" project, one of our social responsibility projects.

CRM activities through outbound calls help us create additional revenues through customized campaign notifications.

We continue to serve not only external customers but also internal customers through Asist Destek, Koç Finans and Arçelik IT Helpdesk operations. Our IT Helpdesk team provides 24/7 Turkish/English support in 12 local locations and 17 overseas locations in various countries.

Within the scope of process optimization, we ensured maximum efficiency including demand management through centralization of many processes.

In line with the strategy of positioning ourselves as the single point of contact for the customers, the management of our incoming calls were outsourced to 3 external companies.

Our whole CRM and infrastructure system was changed and the new CRM program Sales Force and the infrastructure program Cisco was commissioned.

Both better/faster service was provided to customers and efficiency was achieved on the Communication Center side through process optimizations regarding our websites, brand e-mail addresses, draft mail contents, guidelines and online sales channel, and through simplifications of application reason and the Sales Force integration of many processes.

Customer Representative training program durations were reduced with renewal of easy explanation methods and documents.

With the project on turning customer complaint into customer admiration, our customers who filed complaints on received products or services were hosted at our İstinye Park and other omni experience stores to be regained to our brand and effort was made to provide customer loyalty and high-quality unique experience.

Service, region, project team and IT support and coordination were provided to the transition of all our authorized services into the Appointment Routing program.

As part of Omnichannel, works were performed such as sending video links through systems that make the lives of our customers easier, replying frequently asked questions on the community platform, air-conditioner purchase experience etc.

Both our managers and employees replied calls together with the customer representatives as part of the "Call Center Day" activities we performed at various locations of the Communication Center with the aim to ensure that each of our departments have experiences from the perspectives of our customers and have a customer-oriented perspective.

Our Live Chat channel and whatsapp corporate support line was activated. Service is provided to customers by allowing them to contact us through all channels throughout Turkey.

As a result of our achievements, we were recognized as the world leader in the categories of "Best Customer Services", "Best Contact Center" and "Best Customer Loyalty Program" in 2017 at the Contact Center World contest, which is considered as the Oscars of the business.

In 2018 we achieved top rank in Europe in the "Best Call Center" and "Best Customer Loyalty Program", "Best Partnership (Outsource)" category and second rank in Europe in the "Best Customer Services" category.

We achieved the 2018 IMI Conferences-"Most Prestigious Call Center" award.

In 2018, Customer Services under the roof of Customer Services Directorate provided field service with 11,500 personnel, about 6,000 of which were technicians and 5,531 vehicles at about 616 authorized service locations operating under the authority of 12 regional managements throughout Turkey.

Authorized Service technicians are trained and certified by MH Technical Training unit. In addition to the certification programs, employees of the authorized services were provided with trainings on customer-oriented behaviors, new products/equipment, processes and service development. We continued to focus on training and certification activities in line with Hands-On Learning methods based on measurement and deployed remote learning technologies and personal training management systems. In 2018 we also commissioned and started to spread the "Individual Activity in Sale" program consisting of e-learning and face-to-face training modules for supporting the additional warranty and complementary product / accessory sales of our authorized services. The entire technical staff was provided with the trainings under relevant profession groups within the field of our industry and certified as per the law no. 6331. In 2018 a total of 325,000 man/hours of training activities was performed.

Authorized services provide approximately 15 million services annually for all the brands of Arçelik A.Ş. "We adopted the principle of keeping customer satisfaction at the highest level in many practices related to consumers under the vision of "unique customer experience, reliable service"

Authorized service performance system is being implemented to provide more quality service to the customers and increase the satisfaction. Performance system is consisted of measurable criteria and performed based on authorized service and technicians. Performance results are shared with the authorized services quarterly and development and action plans are prepared for the areas needs to be improved. Premium system is applied for the authorized services according to the performance results to increase the efficiency of the performance system.

General meetings are organized with the authorized services with the participation of the senior management. During these meetings, company policies and strategies are shared and studies are conducted for a sustainable cooperation by getting the opinion and suggestions of the authorized services.

Following the activities regarding the qualified authorized services in 2018, "Arçelik" and "Beko" brands of Arçelik A.Ş. were certified as "Customer-Friendly Brand (MDM)" by TSE (Turkish Standards Institute) as a result of the audits at the relevant departments.

Arçelik A.Ş. Spare Parts Management provides service for our customers with a total of 236,000 different spare parts from 1 central warehouse and 7 regional warehouses.

It plans the spare part needs of our local and overseas customers to make delivery to the customers as soon as possible through sensitive logistics operations.

Based on efficiency in stock and logistics management, customer-oriented processes are carried out with the support of the most suitable software.

By closely tracking production technologies our efforts are continuing to provide difficult-to-obtain and obsolete materials that can be produced using 3D technology.

By actively using digital communication channels with the authorized services, the required improvements are made by promptly responding to problems on the field and, based on the sustainable order management principles, informing the suppliers with the feedback.

All our employees participate in all these processes as based on principles of customer, efficiency and continuous improvement. Planned trainings are provided for this about their respective fields.

### 4.3. Human Resources Policy

Arçelik implements globally-accepted principles and thrives to meet the objectives of securing continued success and transfer its sustainable values to future generations. Our shared objectives in line with the vision of "Respects the Globe, Respected Globally" are to ensure that we conduct our business with integrity, create a working environment without any discrimination of unfair treatment, ensure that individuals from different backgrounds, cultures and perspectives work together to develop new ideas and solutions and create a secure and sustainable global value chain.

The Human Resources Policy of Arçelik A.Ş., determined in accordance with the Company strategies, common values and code of conduct, was documented and shared with the employees of local and overseas affiliates. Human Resources Director is responsible for determination and management of the principles of the company's human resources policy, management of the relations with the employees and managing and implementing human rights principles.

Arçelik A.Ş. recruits talents based on certain criteria and within this criteria Arçelik Leadership Profile is being used covering Grow, Respect and Lead skills are as follows.

#### Arçelik Leadership Profile



## PART IV - STAKEHOLDERS

Our fundamental principles which direct the Human Resources Policy are given below and in Human Resources practices we act in line with these principles.

- There is a global-local balance in human resources systems and practice. As an international company, local laws, practices and requirements are respected. Country's legal regulations take precedence in situations where Human Resources Policies and Practices conflict with local legislations.
- Human Resources Policy of Arçelik A.Ş. is fully aligned with the company's business strategies and also responds to future needs on top of current organizational requirements.
- All Human Resources Policies and Practices respect and support human rights and oblige the company to avoid any discrimination and create equal opportunities for its employees. Arçelik A.Ş. does not discriminate based on ethnic origin, race, language, religion, age, gender, sexual orientation, nationality, disability, culture or political affiliation. This principle is accepted company-wide and a formal complaint from the employees regarding that they have experienced any discrimination has never been received. Arçelik A.Ş. Code of Conduct and Codes of Practice, Arçelik A.Ş. Personnel Regulation and all relevant policies put forward binding rules and the company ensures that these rules are implemented to permanently prevent any discrimination and in-house physical, mental and emotional abuse likely to occur between the employees.
- Fairness, consistency and trust lies at the heart of all human resources practices implemented. In line with this principle, job definitions, salaries, criteria of performance and reward system intended for the employees are announced to the employees in accordance with the determined schedule and it's ensured that all employees are informed equally. Same principles are taken into account in the trainings provided to the employees by Arçelik A.Ş. and training programs are developed and announced to the employees in a wide variety as to address the improvement needs of all employees.

- Career plans of employees are made in accordance with knowledge, skills and competences. Annual human resources planning meetings are held in order to identify the critical positions and potential employees that would carry the company to the future, and performances of potential employees are monitored in order to support their development and make them ready for their possible future roles. There are succession plans in place for all management positions and potential employees are positioned in these plans. This helps us develop candidates to managerial positions and also prevent any interruptions in the corporate management in case of any possible changes in these positions. In 2018, 12 percent of our employees have gone through rotation, assignment and promotion processes.
- For the purpose of improving Human Resources Standards continuously, Human Resources Practices are revised systematically and regularly and in light of latest developments and the feedback received, Human Resources processes are re-structured.
- At Arçelik A.Ş., opinions of the relevant union are obtained and mutual understanding is ensured before the decisions to be taken regarding the human resources policy changes and system revisions intended for the union member employees. All of the union member employees are informed of the changes.
- Personal information of the employees is kept confidentially within the frame of the legal legislations. Arçelik A.Ş. aims to meet the business needs during the recruitment and replacement processes in current time and in the future and equal opportunities are provided to all candidates with suitable education, knowledge, skill, competence and experience in line with the ethical principles.

Number of employees by 2018 year-end	Total
Turkey	16,171
Abroad	13,359
Total	29,530

Arçelik A.Ş. believes that organizational success is based on team work and collaboration along with the individual successes. In this direction, the company uses different development and management systems to improve the performance of the employees in compliance with the company targets. The activities in this area are explained in the Global Organization section of the Annual Report.

Arçelik A.Ş. evaluates, rewards and ensures the recognition within the company any success, invention and/or suggestion that provide benefit in order to increase the motivation, commitment and productivity of the employees, put into use the best practices and encourage the rising critical behaviors. The company determines a fair employment policy through the approach, laws and competitive understanding in compensation management.

Arçelik A.Ş. gives importance to the impact of the employee commitment on the company's business results and monitors the employee commitment regularly through the independent researches and develops improvement activities according to the research results. The employee loyalty survey, performed online since 2017 was also performed online this year for our local and overseas employees. Good practices that were engaged in previous years have been continued and projects were developed on fields of improvement. Focus was made this year on diversifying opportunities for benefits and increasing communication with employees. The Blink training module was developed based on last year's survey results and new development opportunities were provided by enriching online training contents. A new performance system was established, focused on the performance, development and feedback of employees. A fresh new approach was brought to mentorship with the reverse-mentorship practice. Employees participated in many entertaining activities in 2018 from concerts to competitions and animation to children plays. Eye screening was performed on school children to ensure that they make a healthier start to life. Arçelik supports women employees through the Women Impact program. Arçelik undersigns many activities in order to strengthen the role of women in business life, support them throughout their careers, increase employment rates and reinforce the ties and support system among women employments of Arçelik. In this context, "She Mate" mentorship program was launched to help women for their return and adaptation to work after coming back from maternity leave. Arçelik also launched Women in Leadership and Integral Leadership special development programs to support the leadership development of women employees. The father support program aimed to strengthen family communication and trainings were organized to minimize violent behaviors.

### Industrial Relations

Arçelik A.Ş. respects and supports the rights of its employees to organize and form unions in accordance with the company's industrial relations policy. The company pays strict attention to maintaining the peaceful working environment it has created on the basis of mutual trust between its employees and unions and by

respecting the applicable law and collective bargaining agreements. The Company takes local conditions, customs and practices, which are specific to the regions and countries in which it operates, into account in order to maintain the peaceful working environment it has created, even though these local conditions, customs and practices are not included in the agreements into which the company has entered.

Within the frame of Industrial Relations Policy, labor unions are not considered as adverse parties but as social stakeholders. Therefore, the Company always attaches great importance to be on good terms with labor unions and to act in concert. Providing better working conditions for the social stakeholders is an important goal of the Company. Accordingly, besides conforming to law, social aids such as better working conditions, occupational health and safety, maternity, death, education and marriage supports are included in collective bargaining agreements and care is taken for their implementation.

The benefits provided to all Arçelik A.Ş. employees in Turkey in accordance with the relevant provisions of the Collective Labor Agreement, are as follows:

- 4 bonus payments every year,
- Fuel allowance,
- "Leave allowance" before annual leaves,
- "Special allowance" before religious holidays,
- Monthly child allowance,
- Childbirth, marriage, death, military service and education allowances as payments made per case.
- Transportation and daily food allowances, which are offered in-kind,
- Complementary Health Insurance,
- Annual leave entitlements are specified under collective bargaining agreements. Irrespective of whether they are members of a labor union or not, the employees are entitled to annual leaves longer than those provided under the law.
- Starting positions and wages of union employees are determined based on the type of work they will perform according to the collective bargaining agreement.

For the renewal of the Collective Labor Agreement that expired as of 31.08.2017, the Collective Labor Agreement effective between 01.09.2017 – 31.08.2019 was signed on January 30, 2018 between the Turkish Metal Workers Union and the Turkish Metal Industrialists Union (MESS), of which we are a member.



## PART IV - STAKEHOLDERS

### Occupational Health and Safety (OHS)

The phrase of our founder Vehbi Koç that “Our most important asset is our human resources” is one of the basic elements our Arçelik’s corporate vision. Protecting the health and ensuring the safety of our employees and visitors in our facilities is one of our most important priorities. Accordingly, we manage our OHS works in accordance with the requirements of the relevant legislation, the Arçelik OHS Policy and the goal of continuous development.

*Arçelik Occupational Health and Safety Policy:*

Arçelik and its employees comply with all applicable national and international occupational health and safety laws and regulations and create a safe and healthy working environment in line with occupational health and safety management system based on continuous improvement. We perform our activities to

- Analyze and decrease the occupational health and safety risks arising in the working environment,
- Conduct training activities in order to develop and increase the awareness in occupational health and safety issues,
- Take measures to achieve a zero work accident rate and a zero occupational disease rate and increase productivity accompanying the Quality and Environmental Management Systems and we strive to set a model in durable goods sector with regard to occupational health and safety efforts.

In accordance with our OHS Policy, OHS issues are included in the targets of the relevant departments and employees and monitored throughout the year with the performance management system. With topics determined under the Arçelik Occupational Health and Safety Action Plan and projects developed in relation with such topics, both continuation is ensured for compliance with the relevant and it is aimed to prevent potential occupational accidents and health problems.

In 2018, the Accident Frequency Rate, which indicates the frequency of occurred occupational accident based on the total actual working time, was realized as 2.98 with a decrease of 27% and the Accident Severity Rate, which indicates the working day loss occurred due to occupational accidents based on the total actual working time, was realized as 0.050 with a decrease of 14%.

Arçelik supports the employees in continuously establishing communication in this regard both with each other and with their managers and provides guidance on OHS matters.

Adopting the objective of “zero accident rate and zero occupational disease rate” for all its employees, Arçelik continues its efforts by involving employees at every level of the company and allocating the necessary resources with the awareness that reaching this objective is possible only through teamwork. In 2018, totally 148,371 man-hours of training on OHS was provided with a comprehensive participation in all Arçelik facilities by occupational safety specialists and occupational physicians.

The “Forklift Safety Systems Project” performed at the Supply Chain Directorate in 2018 was awarded by the Turkish Metal Industrialists Union (MESS) at the MESS Golden Glove Contest that awards the most successful occupational health and safety practices, in the “Recommended Practices” category and the “Safety Equipment Preventing Rollover of Door/Panel Carrying Vehicles” recommendation developed at the Refrigerator Products Directorate, was awarded in the MESS Golden Recommendation Contest.

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

The company aims to ensure customer satisfaction, offer world-class products and services of universal quality by using natural resources efficiently, and contribute to economic and social development. Accordingly, the company strives to be a global symbol of credibility, continuity and respectability in the eyes of all of its customers, shareholders, employees, suppliers, dealers and authorized services; in other words, all of its stakeholders.

We accept the standards established by Vehbi Koç, the founder of Koç Group, as our guiding principles;

- Our Customers are the focus of everything we do,
- Always to be the best is our ultimate goal,
- Our most important capital is our human resources,
- Our goal is to create wealth for continuous development,
- We strive to strengthen Turkish economy from which we derive our own strength,
- Superior business ethics and honest working principles are the foundations of our business conduct.

The company has based its Code of Conduct on the aforementioned principles in order to provide its employees and others who represent the Company with a guiding document that would help them when making decisions.

Arçelik A.Ş. complies with the human rights and employee rights directives set forth by international initiatives of which it is a voluntary member. The Company ensures that its approach and applications are audited by independent audit companies. The Company is a part of Koç Group which has signed the United Nations Global Compact and complies with the human rights and employment standards principles therein. The Company discloses its performance in this area for review of its stakeholders through annual and sustainability reports.

Our Company does not discriminate based on ethnic origin, race, language, religion, age, gender, nationality, disability or culture and accepts everyone as equals. This approach starts with the recruitment policy and is based on the principles of matching individuals with the right jobs, equal pay for equal work, merit-based promotion and equal opportunities for all. Respect for human rights is at the center of all human resources processes. In this sense, we provide a non-discriminative and fair working environment for our employees, implement a merit-based payment and additional benefits policy and secure our employees’ rights to organize unions and engage in collective bargaining.

We commit to act in accordance with the laws and regulations to offer equal rights and prevent discrimination throughout the value chain, secure a non-discriminative working environment and prevent “Child Labor and Forced Labor” in line with the labor legislation as well as our policies. We take due care to ensure that the policies applicable at the Company are also applicable to the relations of our employees. Our Company expects from all its employees to behave in a manner that would contribute to the cultural integrity of our company and strengthening and development of its reputation and corporate structure. All of the employees, including temporary workers, are under obligation to follow the company’s Code of Conduct. This Code of Conduct is disclosed to public in detail on our Company’s website.

The Code of Conduct booklet is given to Arçelik A.Ş. employees in exchange for their signatures, at the day of their employment. Also, Arçelik Code of Conduct is assigned to all our employees in the form of digital trainings, and in the course of their training, their rate of accomplishment is monitored regularly.

We attach great importance to our Code of Conduct based on the basic principles set forth by Vehbi Koç, the founder of Koç Group, to maintain the continuity of this system. Our Code of Conduct is in line with the personnel regulations and was issued by the commitment of the Board of Directors. Arçelik A.Ş. Ethics Committee oversees the process and implementation of the Code of Conduct. Members of the Ethics Committee include the General Manager, Assistant General Manager responsible for the issue, Human Resources Director and Legal Consultant. Human Resources Director is responsible for regulating and implementing the human rights principles. Furthermore, it is under the responsibility of the management to display the required level of effort and leadership, to announce the Code of Conduct to all employees, to ensure that the employees put required level of importance on those policies, and to ensure that the all employees act in alignment with the Code of Conduct all the time.

The company expects from all of its stakeholders to comply with the code of conduct and all related policies.

Code of Conduct and Core of Practice are in restructuring phase in consideration of the development, growth trend and sustainability requirements of Arçelik A.Ş.

The project was launched on the basis of preserving the structure of Arçelik A.Ş. that complies with human rights as a global player in its core business with the goal of constantly improving sustainability performance as an ever-developing and growing global organization.

The efforts for organizing the Ethics Committee on a global scale, defining the operation and reporting procedures, reviewing the policies in this regard, establishing the Ethics Line are in progress and scheduled for completion in 2019.

Arçelik A.Ş. is one of the first companies to sign the corporate social responsibility Code of Conduct drafted by the European Committee of Domestic Equipment Manufacturers (APPLiA). The Code of Conduct secures the subscribing company to achieve a sustainable performance concerning working conditions, environmental laws and standards which are regulated by national laws and international conventions.

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Furthermore, the Company has its production facilities audited by independent audit firms within a program based on the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Responsibility Organizations, widely accepted in EU and obtains compliance reports in consequence of these audits.

The company has adopted an approach which focuses on protecting and preserving the environment and natural resources in cooperation with its partners both during production and non-production activities while at the same time developing and manufacturing innovative products. The company monitors the compliance of its operations with all domestic and international legal obligations, which call for the protection of the environment and human health. The company regularly organizes training programs for its employees to extend the sentiment about the protection of environment and natural resources and combating with climate change and carries out projects with Public and Non-Governmental Organizations in Turkey to raise awareness of the public and maintains its support for carried out projects and efforts.

The Company carries out many different projects in the countries, where it operates, in the fields of education, sports, culture and art to support social development. Acting with corporate citizenship awareness, the Company provides the sustainability of the projects thanks to voluntarily supports of its employees and business partners. The policies and projects implemented by the Company are included in the explained in the "Social Responsibility" sections of the Annual Report.

The Company expands its global presence day by day in line with its vision and continues to develop by integrating the sustainability into the processes with the conscious of its responsibilities. Sustainability approach of the company is to act by looking after the social, economic, environmental and ethical dimensions of its operations, to follow-up these dimensions by integrating them into the corporate business targets and to manage its operations with sustainability principles within the frame of corporate policy and strategies. The company evaluates the risks and opportunities regarding the sustainability and expectations of the stakeholders as important inputs for its operations.

The highest level of responsibility for the sustainability management belongs to the Sustainability Committee in the company. The Sustainability Committee, established with the participation of the Senior Management of Arçelik A.Ş., bears the mission of managing sustainability issues, determining the corporate sustainability and climate change policy and strategies, ensuring their integration with the company's business processes, monitoring the performance and increasing the efficiency. Members of the Committee control and coordinate the sustainability activities in the fields of their responsibility and chair Sustainability Work Groups. Consisting of managers and specialists, the Sustainability Work Groups are responsible for implementing and deploying the decisions taken by the Sustainability Committee and reporting the performances and developments in their field to the Committee. A director responsible for sustainability leads the Sustainability Work Groups. The Assistant General Manager of Finance and Accounting chairs the Sustainability Committee. The Sustainability Committee meets twice a year, evaluates the Arçelik A.Ş. Sustainability Activities Year-End Report and the year-end performance and sets the objectives for the next year. The Sustainability Committee is responsible for reporting important issues to the Board of Directors. In 2017, a Board Member of the Company was assigned to inform the Board on the activities of the Sustainability Committee. 8 working groups were established to ensure implementation and deployment of Sustainability Committee decisions and report the related developments. These are Environmental Coordination, Energy Coordination, Climate Change Coordination, Green Chemistry Coordination, Occupational Health and Safety, Human Rights and Business Ethics, Value Chain Management and Sustainability Reporting Committees.

With the aim of presenting its priorities, practices and business results in the field of sustainability to its stakeholders in an efficient and transparent way, Arçelik A.Ş. publishes an annual "Sustainability Report" in accordance with Global Reporting Initiative (GRI) Reporting Principles since 2008. Arçelik A.Ş. 2017 Sustainability Report including the areas of "Management Approach", "Respect for Human and Employee Rights", "Environmental and Energy Management", "Management of Natural Resources and Waste Management", "Sustainability Management in the Value Chain" and "Social Development" was prepared at GRI Standards core application level. The Company's efforts on climate change are explained in the Annual Report's "Corporate Responsibility-Environmental Approach to Products and Production" section.

Arçelik A.Ş. is listed in Borsa Istanbul (BIST) Sustainability Index created on 04.11.2014. Arçelik A.Ş. shares the Annual Report and Sustainability Report with public through the corporate website at [www.arcelikas.com](http://www.arcelikas.com).

## SECTION V: BOARD OF DIRECTORS

## 5.1. Structure and Formation of Board of Directors

## Members of Board of Directors (MBD)

MBD Name-Surname	Title	Independence Status	Date of Assignment	Period of Duty	Functions in Board of Directors and Committees	Tasks out of the Company
Rahmi M. Koç	Chairman	Not Independent Member	19.03.2018	1 year	Chairman of the Board, Chairman of the Executive Committee	Board Membership for Group and Non-group Companies
Ömer M. Koç	Vice Chairman	Not Independent Member	19.03.2018	1 year	Deputy Chairman of the Board, Member of the Executive Committee	Board Membership for Group Companies
Semahat S. Arsel	Member	Not Independent Member	19.03.2018	1 year	Board Member, Member of the Executive Committee	Board Membership for Group Companies
Ali Y. Koç	Member	Not Independent Member	19.03.2018	1 year	Board Member, Member of the Executive Committee	Board Membership for Companies
Levent Çakıroğlu	Member	Not Independent Member	19.03.2018	1 year	Board Member, Member of the Corporate Governance Committee	Board Membership for Companies
Robert Sonman	Member	Not Independent Member	19.03.2018	1 year	Board Member	Board Membership for Non-group Companies
Fatih K. Ebiçlioğlu	Member	Not Independent Member	19.03.2018	1 year	Board Member, Risk Management Committee Member	Board Membership for Group Companies
Hakan H. Bulgurlu	Member, General Manager	Not Independent Member	19.03.2018	1 year	Board Member	Board Membership for Group Companies
K. Kaynak Küçükpınar	Member	Independent Member	19.03.2018	1 year	Board Member, Chairman of the Corporate Governance Committee, Chairman of the Risk Management Committee	
K. Ömer Bozer	Member	Independent Member	19.03.2018	1 year	Board Member, Chairman of the Audit Committee	Board Membership for Group and Non-group Companies
M.M. Gülay Barbarosoğlu	Member	Independent Member	19.03.2018	1 year	Board Member, Member of the Audit Committee	
M. Cem Kozlu	Member	Independent Member	19.03.2018	1 year	Board Member	Board Membership for Non-group Companies

The above-table lists information on non-executive Board Members, except for the General Manager Hakan H. Bulgurlu, as defined by the CMB Corporate Governance Principles.

As per the Articles of Association, the activities of the Company are carried out by a Board of Directors that compose of at least five members who will be elected with the resolution of General Assembly within the framework of Turkish Commercial Code and the regulations of Capital Markets Board. 19.03.2018 dated General Assembly of the Company has taken a resolution that the Board of Directors shall compose of 12 members together with 4 independent members.

In accordance with the Structure of Board of Directors regulation included in the Article 4.3 of Capital Markets Board's Corporate Governance Principles, arrangements that are required for including independent members in the Board of Directors, have been accepted at 29.03.2012 dated General Assembly by making necessary amendments in the Articles of Association.

The Board Members are determined in such a way to function efficiently and in a constructive manner, make quick and rational decisions and organize the activities of the committees effectively.

Within the scope of 395th and 396th Articles of Turkish Commercial Code, the approval regarding the Board Members to carry out the activities which are included in the company's field of activity on their own or behalf of others and to participate in the companies that carries out such activities has been obtained at 19.03.2018 dated General Assembly.

Tasks of Board Chairman and General Manager are performed by two different persons. The Company pays attention that the Board Members have enough time to deal with the Company's activities; however, there is no restriction for them to handle other task or tasks apart from the Company. Especially since the business experiences and sector specific knowledge of independent members have a significant contribution to the Board of Directors, such restriction is not deemed necessary. Prior to General Assembly, personal background as well as previous positions of the member is submitted for shareholders' information. The Annual Report provides the resumes of Board Members, General Manager and Assistant General Managers.

Tasks of Candidate Nomination Committee and Compensation Committee are carried out by Corporate Governance Committee in our company. Number of independent member nominees submitted to the Corporate Governance Committee for General Assembly dated 19.03.2018 is 4, independence declarations and resumes of these persons were evaluated in the Resolution of the Board of Directors dated 15.01.2018 of Corporate Governance Committee dated 16.01.2018 and it was decided that all of them are determined to be independent member nominees. By getting the approval of Capital Market Board through the letter dated 02.02.2018 for the 4 independent member nominees (K. Kaynak Küçükpınar, K. Ömer Bozer, M.M. Gülay Barbarosoğlu and M. Cem Kozlu), these 4 nominees were elected as independent members of board of directors for 1 year by the General Assembly dated 19.03.2018. There isn't any situation occurred removing the independence within the activity period for 2018.

Following the General Assembly meeting dated 19.03.2018 in which Members of the Board of Directors are selected, Chairman and Deputy Chairman of the Board of Directors are determined to decide on the assignment of the duty.

The entire of the members of the Board of Directors have worked professionally in various industries for long years and they are experienced. The company benefits from the accumulation of knowledge and experiences of the members of the Board of Directors at the highest level. Members of the Board of Directors can share and express their opinions freely away from any effect.

We believe that ensuring the diversity of accumulation of knowledge, experience and opinion before the Board of Directors will make positive contribution to the efficient operation of the Board of Directors and to the company activities. Our evaluation studies are still ongoing to determine a target ratio for the woman members of the board of directors that is a tool to ensure that different opinions are represented in the Board of Directors. Semahat S. Arsel and M.M. Gülay Barbarosoğlu are currently the 2 female members of our Board of Directors and our ratio women is at 17%.

## SECTION V: BOARD OF DIRECTORS

### 5.2. Operating Principles of Activity of the Board of Directors

Board of Directors holds meeting when it is required for the activities of the Company. The Board of Directors held 4 actual meetings in 2018 with an attendance ratio of 93.75% and 30 decisions were taken by the Board of Directors throughout the year. Independent board members have approved all resolutions. Different opinions expressed in the meetings of Board of Directors and reasons for counter votes are registered in decision record. Detailed reasons of the members who voted against are disclosed to the public. In the Board of Directors each member has one voting right. However, in the Board of Directors Meetings held in 2018, no disclosures on this matter have been made to public since there was no such opposition or expressed different opinion.

The Agenda of the Board of Directors are determined by the notification of matters that it is clearly decreed to be concluded by the resolution of the Board of Directors within the Company's Article of Association, made by related departments to Company's Senior Management and the Board Members. In addition, the Agenda of the Board of Directors are also determined by the notification of any Board Member made to the Senior Management of the Company about taking a decision on a matter of high concern. The subjects desired to be discussed in the meeting of the Board of Directors are collected at the department of Assistant General Manager, Finance and Accounting and the agenda is determined by consolidation.

Arçelik A.Ş. has appointed Assistant General Manager, Finance and Accounting for determining the agenda of Board of Directors' Meetings, issuing resolutions of Board of Directors, informing Board Members and providing communication.

The meetings of the Board of Directors are held in the headquarters of the Company or in a suitable place where the headquarters are located. Significant resolutions of the Board of Directors are announced to the public by Public Disclosure Platform (PDP) and are posted on Company's website in both Turkish and English.

The company has subsidiaries and affiliate companies. Since we believe that it will be for the benefit of the Company, to have the Board Members manage these companies, there are no restrictions on this matter.

The regulations of Company's Board Members are clearly determined in the Articles of Association. Authorities are included in the Company's signatory circular in more detail.

The Board of Directors takes a leading part in maintaining efficient communication among shareholders, settling and resolving disputes and for this purpose the Board of Directors works in close cooperation with Corporate Governance Committee and Shareholders Relation Unit.

"Manager Liability Insurance" is available for the Members of the Board of Directors and senior executives in our company.

The Board of Directors oversees the Company's activities and evaluates any possible conflict of interests as well as the outcome of such conflict in terms of the Company and takes the course of action to safeguard the interests of the Company. The Board also evaluates the compliance of related party transactions with the applicable regulations and considers the risk of misconduct with due diligence.

### 5.3. The Number, Structure and Independence of the Committees Established Under the Board of Directors

According to the Articles of Association, the Board of Directors may establish advisory, coordination, audit and similar committees or sub-committees composing of its members and/or non-members on the subjects it deems suitable provided that relevant legislation provisions are followed.

In the election of members of committees established after the Ordinary General Assembly dated 19.03.2018, the provisions specified in Article 4.5 of the CMB's Corporate Governance Principles were followed.

"The Audit Committee" in charge of ensuring reliable fulfillment of duties and responsibilities of the Board of Directors was established. The Audit Committee regularly carries out its activities in compliance with the Capital Markets Regulation and the CMB's Corporate Governance Principles. All members of the Audit Committee have been elected from among independent board members. This committee consists of 2 members and K. Ömer Bozer was appointed as the chairman and M.M. Gülay Barbarosoğlu as a member.

An in-house Audit Committee has been established for the purpose of auditing the operation of accounting and reporting systems to be in compliance with the applicable laws and regulations, public disclosure of financial statements, the operation and efficiency of internal audit systems and it held 4 meetings in 2018.

*Tasks, Responsibilities and Working Principles of Audit Committee;*

- Designation of the independent audit firm, drafting of the independent audit agreement, initiation of the independent audit process, and supervising the activities of the independent auditor,
- Evaluation of the independent audit firm based on the independence criteria, statement of independence and additional services which can be provided by the firm,
- Evaluation of the feedbacks made to the Committee by the independent audit firm independent audit as well as significant issues on accounting policy and implementations, determination of alternative application and public disclosure options related with the CMB's accounting standards and accounting principles previously notified to the Company by the independent auditor as well as possible outcomes and implementation proposals,

- Assessment and resolution of the complaints regarding the Company's accounting, reporting and internal control systems and independent audit processes, determination of the methods and criteria applicable to the assessment of the statements by Company employees on accounting, reporting, internal control and independent audit in line with the principle of confidentiality,
- Disclosure of the annual and interim financial tables to the Board of Directors in written, with the opinions of the Company's managers and independent auditors on accuracy and compliance with the Company's managers attached,
- Performing other tasks assigned to the Committee by CMB Regulations and the Turkish Commercial Code are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of Audit Committee is available at [www.arcelikas.com](http://www.arcelikas.com).

In accordance with the Corporate Governance Principles issued by the Capital Markets Board, an in-house Corporate Governance Committee was established for the purpose of monitoring the compliance of the Company, performing activities for improving the compliance and providing advices to the Board of Directors. Tasks of the Candidate Nomination Committee and Compensation Committee are also carried out by the Corporate Governance Committee. On March 27, 2018, K. Kaynak Küçükpınar, an independent board member was appointed as the chairman of the Corporate Governance Committee and board member Levent Çakıroğlu and Polat Şen, managing the Investor Relations Department were appointed as members. The Corporate Governance Committee held 6 meetings in 2018.

## SECTION V: BOARD OF DIRECTORS

### *Tasks, Responsibilities and Working Principles of the Corporate Governance Committee;*

- Establishes whether the corporate governance principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles and provides recommendations to the Board of Directors for improving corporate governance practices.
- Observes the works of the stakeholder relations unit,
- Reviews the "Corporate Governance Compliance Report" to be disclosed to the public to check whether the information included therein is accurate and consistent with the information held by the Committee,
- Ensures that the Corporate Governance Principles are developed, adopted and implemented in the Company and conducts works on issues where they are not implemented and provide recommendations to the Board of Directors for improving the degree of compliance,
- Tracks the Corporate Governance Principles in the world to provide recommendations to the Board of Directors for implementing the necessary elements in the Company,
- Establishes a transparent system on determining, evaluating and training candidates suitable for the Board of Directors and carries out works to determine policies and strategies in this regard,
- Makes regular evaluations on the structure and efficiency of the Board of Directors and submits recommendations to the Board of Directors on potential changes in this regard,
- Determines and observes the approach, principles and practices on the performance evaluation and career planning of the Members of the Board of Directors and Senior Executives,
- Formulates its proposals regarding the principles for compensating the Board of Directors and senior executives, in view of the long-term goals of the Company,
- Establishes criteria to be used in remuneration in connection with the performance of the Company and the member,

- Taking into consideration the degree of fulfilling the criteria, submit recommendations to the Board of Directors on remuneration to be given to the members of the Board of Directors and senior executives, are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of the Corporate Governance Committee is available at [www.arcelikas.com](http://www.arcelikas.com).

From among the independent members, K. Kaynak Küçükpınar has been elected as the chairman and Board Member Fatih K. Ebiçlioğlu has been appointed as the member of Risk Management Committee which has been established for the purpose of early detection and evolution of financial strategic, operational, compliance and all external risks that may affect our Company, calculating the effects and probabilities, managing these risks in accordance with the Company's enterprise risk hunger profile, regular reporting of risks, considering in decision-making mechanisms and accordingly providing advices and suggestions to the Board of Directors for creating and integrating efficient internal control systems. The Risk Management Committee held 6 meetings in 2018.

### *Tasks, Responsibilities and Working Principles of the Risk Management Committee;*

- In the context of Corporate Risk Management (ERM) defines and evaluates the actual and potential risk factors that may impact the Company in reaching its objectives and determines the principles on managing relevant risks in accordance with the risk-taking profile of the company and ensures that these are used in the decision-making mechanisms,
- Based on probability and impact calculations, determines the risks that will be kept and managed in the company, shared or fully eliminated,
- Ensures integration of risk management and internal control systems into the corporate structure of the Company,
- Reviews the risk management systems and observes that practices in the relevant departments undertaking risk management responsibility are carried out in compliance with the committee decisions,
- Provides early identification of technical bankruptcy, warns the Board of Directors in this regard and develops recommendations regarding measures,
- Performing other tasks assigned to the committee by CMB Regulations and the Turkish Commercial Code are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of the Risk Management Committee is available at [www.arcelikas.com](http://www.arcelikas.com).

In order to offer efficient coordination between the Board of Directors and the management structure, an Executive Committee has been formed, tasked with increasing the efficiency of the Board of Directors, ensuring efficiency in the subjects of business development and investment in areas aligned with strategic aims, and to offer suggestions and recommendations in that respect. As the Board of Directors could not convene in a time and frequency required, the aim of this committee is to inform the Board of Directors by following up the Company as well as industrial improvements closely when required; to ensure coordination between the Corporate management structure and the Board of Directors; to develop proper strategies for the Company and to make recommendations for the efficiency of the activities.

Chairman of the Board of Directors Rahmi M. Koç was appointed as the chairman of the executive committee and Board Members Semahat S. Arsel, Ömer M. Koç, Ali Y. Koç and Caroline N. Koç were appointed as committee members.

### *Tasks, Responsibilities and Working Principles of the Executive Committee;*

- Ensures that the necessary preparations, analyses and evaluations such as impact on activities, financial aspect, legal situation and compliance with strategic priorities, are completed before significant issues to be decided by the Board of Directors are submitted for approval by all the members,
- Ensures submission to the Company management and deployment of issues decided by the General Assembly or a Board Decision in accordance with specified directives and policies,
- Checks that the Company activities are performed in compliance with Board Decisions and annual business plans,
- Tracks the economic, social and political developments in the industry in which the Company operates to evaluate their impact and determines strategies to increase competitive power,
- Monitors the dynamics of the industry to determine potential opportunities in accordance with the set strategies,

- Monitors the strengths and weaknesses of the company through internal analyses and the opportunities and threats through external analyses,
- Investigates internal and external growth opportunities that will ensure that the Company reaches its strategic objectives,
- Observes the functioning of systems that will ensure creation of the Company business programs, their revision according to external developments and their use as performance criteria,
- Tracks the management of strategies and projects accepted by the Board of Directors,
- Evaluating important legal developments that may impact the activities and their impacts, are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of the Executive Committee is available at [www.arcelikas.com](http://www.arcelikas.com).

The duties, operation principles and the members of these committees were disclosed in detail to the public by posting on the Company's website ([www.arcelikas.com](http://www.arcelikas.com)).

## SECTION V: BOARD OF DIRECTORS

### 5.4. Risk Management and Internal Control Mechanism

The Board of Directors establishes and reviews the risk management and internal control systems regarding the identification and minimization of the impacts and probabilities of risks that may be imposed on the Company interests, especially those of the shareholders.

With the decision taken by Arçelik A.Ş. Board of Directors at the meeting on 16.07.2010 for the purpose of ensuring efficient operation of committees within the body of Board of Directors in accordance with Article 378 of Turkish Trade Law number 6102 ad Corporate Governance Communiqué of Capital Market Board; a Risk Management Committee was formed in order to carry out activities for early identification of risks that may jeopardize the existence, development and continuity of the company, application of relevant actions concerning identified risks and managing risks. Mr. K. Kaynak Küçükpınar, Independent Member of the Board of Directors, is the chairman of this Committee. The other member of the Committee is Mr. Fatih K. Ebiçlioğlu, a member of the Board of Directors.

The Risk Management Committee convened 6 meetings in 2018. The Risk Management Committee's task is offering proposals and recommendations to the Board of Directors on early detection and evaluation of risks which may affect the company, determination of their impacts and possibilities, managing and reporting these risks in accordance with the company's risk appetite, taking actions for mitigating the impacts and probabilities of risks and establishing effective internal control systems.

Corporate Risk Management Directorate under the Assistant General Manager of Finance and Accounting uses the risk management systems to manage, coordinate and supervise the financial, strategic, operational, compliance and external risks which may affect the Company and reports them to the Risk Management Committee.

Internal Audit Department, which is formed under the Assistant General Manager of Finance and Accounting for the purpose of healthy execution of internal auditing mechanism, reports information to the Auditing Committee at the meetings held during the year. Committee constantly supervises the execution and effectiveness of system and presents to Board of Directors the issues and suggested solutions regarding the risk management and internal control mechanism when required.

### 5.5. Strategic Objectives of the Company

The Board of Directors of the company keeps the risk, growth and return equilibrium of the Company at an optimum level through the strategic decisions taken and manages and represent the Company by primarily looking after the Company's long-term interests with a smart and cautious risk management approach.

The Board of Directors determines the strategic targets of the Company, identifies the needed human and financial resources and audits the performance of management.

The Board of Directors audits the compliance of the Company's activities with legislation, Articles of Association, internal regulations and created policies.

*Mission and Vision as well as Main Business Targets of the company are indicated below:*

The mission of the company is to develop, manufacture, offer and provide products, which meet the customer needs by going beyond their expectations, make life easier and which are affordable, user-friendly and reliable, to provide after-sales services and continuously develop and grow in target markets by ensuring the satisfaction and long-term loyalty of the customers and employees and utilizing the resources in most efficient manner and meeting the expectations of stakeholders in line with corporate values, targets and strategies of Koç Group.

The company has adopted the vision of "Respects the Globe, Respected Globally". Company "Respects the Globe" because it is environmentally friendly, respects human beings and carries responsibility. The Company is "Respected Globally" because it always aims beyond the highest.

*The Company's main business goals are as follows:*

- Realizing sustainable growth and increasing our share in the current markets and getting into new markets
- Perpetuating the profitability level that will enable sustainable growth
- Being R&D, innovation, quality, design, brand and customer oriented
- Improving the capabilities for offering pioneering, innovative and environment and climate sensitive products, solutions and technologies during the product life cycle to provide added value for customers and society
- Developing and retaining global organization and capabilities by managing the differences with human-oriented approach.

The Board of Directors evaluates and approves the Company's vision and main business goals. These goals are shared with the public in the annual reports, on the company's website and through meetings or statements by means of various communications channels as well as PDP.

As per the Company's Articles of Association, during the Board Meetings, which are held periodically, Company's targets and performed activities are followed as also covering previous period performances. The current situation of the Company is revised and in case it is deemed necessary in consequence of current situations, new targets and strategies are developed.

### 5.6. Financial Rights

Covering every kind of right, interest and remuneration, which are provided to the Board Members and Senior Executives and the criteria and remuneration policies that are used to determine these, the "Remuneration Policy for the Board Members and Senior Executives" of our Company has been submitted to the examination of our shareholders on our website through the "Information Document" issued three weeks prior to 29.03.2012 dated Ordinary General Assembly and put into practice upon the approval of the General Assembly. The aforementioned policy which discusses 2017 activities and disclosed to the public through our company's web site, is also put on the agenda of Ordinary General Assembly in which 2018 activities shall be discussed and will be submitted to the opinion of the shareholders. Payments made within the framework of Remuneration Policy for the Board Member and Senior Executives are evaluated by Corporate Governance Committee and the Board of Directors every year. In the footnotes of our financial statements, the payments made to the Board Members and Senior Executives collectively are announced to the public in parallel with common practices. There is no transaction that may cause conflict of interest such as granting loans and credits to our Board Members or Executives, giving guarantees in favor of them.

Stock options or payment plans based on Company's performance are not utilized for the compensation of Independent Board Members.