

SECTION I - CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Corporate Governance Compliance Report for the financial year of 1st January - 31st December 2016 has been issued in accordance with the "Corporate Governance Communiqué No. II-17.1" ("Communiqué") of the Capital Markets Board ("CMB") published on the Official Gazette dated 3rd January 2014 and numbered 28871.

Studies Conducted Within Period for Compliance with Principles

- ❖ Our Board of Directors and our Committees of the Board of Directors have been established in accordance with the regulations under the Corporate Governance Communiqué. Within this scope, during the meeting of the Board of Directors dated 27th April 2016, the Investor Relations Department Manager of the Company was appointed as the member to the Corporate Governance Committee.
- ❖ The "Compensation Policy" for the Board of Directors and Senior Executives was determined and submitted for the information of partners during the General Assembly Meeting.
- ❖ The General Assembly information document issued and the information on the General Assembly such as voting rights and organizational changes, compulsory to disclose as required by the principles, as well as the background of the Board members, the compensation policy determined for the Board members and senior executives, the reports required to be issued regarding related party transactions, and other information required to be disclosed were submitted for the information of the investors 3 weeks before the General Assembly Meeting.
- ❖ All of our related party transactions were submitted for the information of the Board of Directors and it was decided to continue the mentioned transactions upon approval of our independent members of the Board.
- ❖ The Disclosure Policy of the Company was reviewed and required updates were made, and the updated policy text was published on the Public Disclosure Platform ("PDP") and on the Company's website.

Developments and applications in the legislation will be taken into consideration and required studies will be conducted for compliance with the Corporate Governance Principles also in the upcoming period.

Corporate Governance Principles Not Yet Implemented

Within framework of the Communiqué in force, while the compulsory principles to be complied have been complied in full, compliance has been also provided with a great majority of those principles not compulsory to be complied. Although it is aimed to fully comply with the noncompulsory Corporate Governance Principles, it has not been possible yet to achieve full compliance due to the reasons such as the difficulties encountered in the implementation of some principles; the ongoing discussions, in terms of compliance with some principles, both in our country and in the international platform; and some principles not fully overlapping with the current structure of the market and of the Company. The studies are conducted on those principles not yet implemented and it is planned to put them into practice following the completion of the administrative, legal and technical infrastructure studies in a way to make contribution to the effective management of our organization. There is not any conflict of interest resulting from those principles not yet implemented. The studies conducted in our organization within framework of the corporate governance principles and the principles not yet complied are presented based on principles in relevant sections of the report.

Within this framework;

- ❖ Considering the existing structure of our Company's board of directors, some members of the Board had to take office in several committees within the scope of the compulsion to establish three different committees pursuant to the Capital Market legislation.
- ❖ Concerning the principle number 4.3.9, a target rate and a target time have not been determined yet for the woman member rate in the Board of Directors and the assessment studies in this regard are ongoing. Detailed information in this regard is available in section 5.1 of the report.
- ❖ Concerning the principle number 4.6.5, the payments made to the senior executives are collectively disclosed to public in the marginal notes of our financial statements in parallel with the general applications.

SECTION II - SHAREHOLDERS

2.1 Investor Relations Department

In EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. ("Company"), the relations with shareholders were managed by the Department of Relations with Capital Market and Partners established in 1993 under the Financial Affairs Department. However, as a result of the organizational and operational changes made in 2006, the CMB Relations and Reporting Manager of the Company has started conducting the duties of this department as of 1st November 2006.

In parallel with the amendments in CMB legislation, the name of this department was updated as "Investor Relations Department" and during the meeting of the Board of Directors dated 27th April 2016, the Investor Relations Department Manager of the Company was appointed as the member to the Corporate Governance Committee.

Information regarding the executives in the Investor Relations Department:

Investor Relations Department Manager:

Name-Surname : Gülnur Günbey Kartal
Title : CMB Relations and Reporting Manager
Telephone : 0 212 371 73 94
Fax : 0 212 371 73 99
e-mail : gulnur.gunbey@eczacibasi.com.tr
Type / Number of License Certificate : Capital Market Activities, Advanced / 204571
Specialty in Corporate Governance Rating / 700606

Investor Relations Department Officer:

Name-Surname : Betül Aktekin Aytar
Title : Senior Accounting Specialist

The Investor Relations Department of the Company plays an effective role in facilitating and protecting the shareholder rights, particularly the right to information and examination.

Main activities conducted in the Investor Relations Department are as follows:

- ❖ To ensure that records pertaining to shareholders are kept proper, secure and updated,
- ❖ To satisfy all verbal and written demands of information made by shareholders to the Company, except for undisclosed, confidential information and commercial secrets related to the company and in a way not to cause information asymmetry,
- ❖ To hold General Assembly Meeting in accordance with the effective legislation, the articles of association and other internal regulations,
- ❖ To issue documents that may be utilized by shareholders during the General Assembly meeting,
- ❖ To keep records of voting results and to ensure that reports related to results are sent to shareholders who demand it,
- ❖ To observe and follow any and all issues related to public disclosure, including the legislation and the Disclosure Policy of the Company,
- ❖ To satisfy information demands of analysts and academicians, conducting research and assessment about the Company and the sector, within the scope of information previously disclosed to public and except for commercial secrets,
- ❖ To issue, both in Turkish and English, the content of the Investor Relations section on the corporate website of the Company (www.eczacibasi.com.tr), to update the content as frequent as possible and to enable shareholders to access information about the Company via Internet in a fast and easy way,
- ❖ To ensure two-way communication between shareholders and the senior management and the Board of Directors of the Company,
- ❖ To present information and disclosures which are likely to affect the exercise of rights by shareholders on the Company's corporate website for the use of shareholders,

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- ❖ To notify Special Situation Disclosures through PDP to BIST within framework of the Communiqué number II-15.1 of CMB,
- ❖ To observe and monitor that obligations arising from the Capital Market legislation, including any issue related to Corporate Governance and Public Disclosure, are met.

The Investor Relations Department submitted its report regarding its activities conducted in 2016 to the Corporate Governance Committee on 16th January 2017, and the report examined by the Committee was assessed by the Board of Directors on 25th January 2017.

In 2016, the Company received 26 written demands of information from the shareholders and they were replied within framework of the disclosure policy.

2.2 Exercise of Right to Information by Shareholders

In the satisfaction of demands for exercise of shareholder rights, utmost attention is showed for compliance with the CMB legislation, the Articles of Association and other internal regulations, and measures are taken to procure the exercise of such rights, and all shareholders are treated equally. In 2016, there was no written and/or verbal complaint received by the Company in relation with the exercise of shareholder rights or there was no administrative and/or legal proceedings brought in this regard against the Company within our knowledge.

The Company makes no distinction between the shareholders for the exercise of rights to information and examination, and it shares all required information, excluding commercial secrets, with the shareholders in order to properly protect the shareholder rights. Information is provided in full timely and carefully in a way to fairly reflect the reality.

Questions received by the Investor Relations Department within year are replied, excluding confidential information and commercial secrets, both by phone and in writing following communication with the highest authority in respective subject. In order to extend the rights of shareholders to obtain information, any and all information that may affect the exercise of their rights is presented to the shareholders in updated form in electronic media. Such information and developments that may affect the exercise of shareholder rights are disclosed to public with special situation disclosures and are also published on the website of the Company.

Our Articles of Association does not include any regulation regarding the appointment of a special auditor as an individual right; however, pursuant to the article 438 of the Turkish Commercial Code, each shareholder may request from the General Assembly the clarification of certain issues through special auditing, even though it is not included in the agenda in order to exercise shareholder rights, where necessary and if rights of information and examination have been exhausted. The shareholders have not made any such demand until today. In addition, the Company's activities are periodically audited by the Independent Audit Company approved during the General Assembly Meeting.

2.3 General Assembly Meetings

Invitation to General Assembly meetings is announced by the Board of Directors at least 3 weeks prior to date of General Assembly meeting, excluding the days of announcement and meeting, by considering the Turkish Commercial Code, the Capital Market legislation, the Articles of Association of the Company and the Corporate Governance Principles. The Company's Articles of Association has been issued pursuant thereto.

On the date when our Board of Directors decides on General Assembly meeting, the public is informed by making required disclosures, including the items of the agenda, through PDP and Electronic General Assembly Meeting System ("EGAMS").

The announcement for invitation to the General Assembly meeting is published on the Company's website and on a daily newspaper no less than 3 weeks in advance of the date of the General Assembly meeting using any means of communication, including electronic communication, in addition to the methods set forth in the legislation, so that the invitation is received by the maximum number of shareholders.

In order to facilitate participating in the General Assembly meeting, meetings are held open to public in city center. Meetings can be watched by our stakeholders and media.

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Financial statements and reports including annual activity report, profit distribution proposal, General Assembly Information Document issued regarding general assembly agenda, other documents forming basis to general assembly agenda, the last version of the Articles of Association and, if there shall be amendment in the Articles of Association, amendment text and its reason are kept open for examination in the places to which shareholders can reach in the most easiest way, including the Company's headquarters and website, as of the date of announcement made for the invitation to the general assembly meeting. On the information documents related to agenda, information envisaged for each agenda item is provided to shareholders. In addition, the Company's website includes the English translation of all documents to be necessary for foreigner shareholders in order to inform them about General Assembly meeting and agenda.

Power of attorney samples for those to be represented by attorney are announced before the General Assembly meeting and are provided for the use of shareholders on the Company's website.

At the General Assembly meeting, the issues on the agenda are conveyed impartially, in detail, clearly and in a comprehensible manner; and shareholders are given the opportunity to express their opinions and to ask questions under equal circumstances; and the opportunity is given to discuss annual activity report and performance indicators of the Company.

Minutes of General Assembly Meeting is disclosed to public through PDP and can be also accessed from EGAMS and the Company's website. Moreover, minutes is kept open for examination of the shareholders in the Company's headquarters and is delivered to those who demand it.

During 2016, the Company held 1 General Assembly Meeting. The Ordinary General Assembly Meeting held on 26th April 2016, during which the activities of the year 2015 were discussed, was realized with a 87.5 percent quorum. Among the holders of public shares, 4 natural and 70 legal persons were recorded in the List of Attendants. Our General Assembly Meeting was held under supervision of the Ministerial Representative appointed by Istanbul Provincial Directorate of Commerce of Istanbul Governorate of the Republic of Turkey. At the General Assembly meeting, our shareholders exercised their right to ask question. The questions were replied by the Board Members and the General Manager depending on subjects of the questions. The Company received no demand for addition of an article to the agenda by the shareholders. All questions posed by our partners at the General Assembly meeting were replied during the meeting. No written question was submitted to the Investor Relations Department due to the fact that such question could not be replied at the General Assembly meeting.

At the Ordinary General Assembly Meeting held in 2016, information was provided with an individual agenda item about the donations and aids made in 2015; the upper limit for donations to be made in 2016 was determined ad TL 500,000; and no change was made in the donation policy.

According to CMB regulations, in 2016, there was no transaction where the affirmative vote of the majority of the Independent Board Members was sought in order to make decision at the Board of Directors but where the decision was left to the General Assembly due to negative vote of the mentioned members.

In 2016, it was not in question performance of any significant transaction, by the shareholders and board members having management control or senior executives having administrative responsibility and their spouses and second degree relatives by blood and marriage, which might cause conflict of interests with the Company or its affiliate companies and/or performance of any transaction in type of commercial business within the subject of the business of the Company or its affiliate companies by the same or their participation in another partnership, engaging in the same type of commercial businesses, with the title of personally liable partner.

2.4 Voting Rights and Minority Rights

In our Company, practices that make it difficult to exercise the voting right are avoided, and each shareholder, even cross-border, is given the chance to exercise the voting right in a fair, easy and convenient way. Regarding the voting for agenda items during the General Assembly Meetings, open vote method by show of hands is used provided that the provisions for voting in electronic media are reserved. Each agenda item is individually voted during the meeting.

There is not any privilege in our Articles of Association regarding the exercise of voting right and each share has one voting right. In our Company, there is no regulation prescribing that voting right is to be used after a while from the date of acquisition. In our Articles of Association, there is no provision which prevents a person, who has no share, from voting by proxy as representative. Cumulative vote method is not applied.

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Our main partner Eczacıbaşı Holding A.Ş., which owns 50.62 percent of shares of our Company's capital and whose 37.28 percent of capital is owned by our Company (reciprocal shareholding), votes at our General Assembly meetings.

2.5 Dividend Right

The profit distribution policy of our Company and the annual profit distribution proposal of our Board of Directors are prepared in accordance with the profit distribution statement determined by CMB and are submitted for the information of our shareholders in PDP environment simultaneously with the decision of our Board of Directors. The mentioned proposal is available in our annual activity report and is submitted to approval of the partners at the General Assembly meeting. In addition, profit distribution statement and profit distribution history as well as detailed information regarding capital increases are disclosed to public on the Company's website. In 2016, a gross cash dividend of 40% was distributed to the partners.

Profit Distribution Policy

During its meeting on 18th March 2014, our Board of Directors decided, regarding the distribution of the profit of 2013, to implement a profit distribution policy within framework of the following concept in accordance with CMB regulations on profit distribution, the article 26 of our Articles of Association and the principles indicated in our Company's "Profit Distribution Policy" disclosed to public; and to submit this policy to approval of the partners during the Ordinary General Assembly Meeting to be held for 2013.

- ❖ The principle was adopted to distribute dividend as cash and/or bonus share over the “distributable profit for the period”, calculated within the scope of the Capital Markets Legislation and the other relevant legislations, based on the net profit for the year in the financial statements issued within the scope of the Capital Markets Legislation and made be subject to independent audit.
- ❖ In our Articles of Association, there is not a specific regulation envisaging the application of giving profit share to the employees and the members of the Board of Directors together with preferred stock related to obtaining share from profit, and promoter's dividend share.
- ❖ The profit distribution proposals submitted by our Board of Directors to the approval of our General Assembly are issued by considering the delicate balances between the possible expectations of our shareholders and the envisaged growth strategies of our organization.
- ❖ The attention is paid to make the profit share payments (cash and/or bonus share) within the legal periods and as soon as possible following the General Assembly Meeting so as to be until the end of the period envisaged within the legislation at the latest.

This dividend policy is still applied and our Board of Directors has not made any change within this regard.

2.6 Transfer of Shares

In our Articles of Association, there is not any provision restricting or making difficult free transfer of shares.

SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Its Content

In order to carry out its relations with shareholders much efficiently and rapidly and to be in constant contact with shareholders, the Company has been actively using its corporate website www.eis.com.tr, as stipulated by the Corporate Governance Principles, since April 2005. Thus, the information about our organization, the human resources, our affiliates as well as the investor relations have been open for the information of the society. As a result of the reorganization of our organization in 2007, the studies to update the website in compliance with the new structure were completed in 2008. The information on Investor Relations accessed from our Company's website www.eis.com.tr was directed to the address www.eczacibasi.com.tr as of 8th May 2009.

The information for the last 5 years at the least is available both in Turkish and English on the section of Investor Relations. The information contained therein is constantly updated, is identical and consistent with the disclosures made in accordance with the relevant legislation, and does not contain any conflicting or missing information.

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The Investor Relations Department is responsible for preparing the content on the website, updating the information changed and adding additional information. The studies to provide better service of the website always continue.

3.2 Activity Report

The activity report of the Board of Directors is issued in a way to allow the public to access complete and accurate information about the activities of the Company and in such detail required by the Turkish Commercial Code (TCC) and CMB legislation.

SECTION IV - STAKEHOLDERS

4.1 Informing the Stakeholders

Information is provided to the stakeholders through General Assembly and by replying personal applications provided that it is within the scope of CMB legislation. Information to public is provided both during press conferences held and statements made through media, and information is provided to employees during various organizations such as Strategic Planning, General Manager information and dissemination meetings (in such meetings, changes such as target sharing, salary, social benefits and allowances are announced). In Eczacıbaşı Group, there is a portal accessed by the employees and it has been ensured that the employees can access any information and document to concern them, significant announcements, changes in management and press releases through this portal. In addition, the Corporate Communication Department in Eczacıbaşı Holding A.Ş. publishes an internal periodical magazine "Yaşam" in order to increase the communication with the employees.

The problems of Kanyon hirers, being our most important customers, are resolved with direct meetings and Kanyon Yönetim İşletim ve Pazarlama A.Ş., providing management services of Kanyon complex, gives support to resolve such problems.

The corporate management structure of the Company gives opportunity for all stakeholders including employees and representatives to convey their concerns, regarding transactions not appropriate in terms of laws and ethics, verbal-written and through other means of communication. The Audit Committee is responsible also for examining the complaints received by the Company.

4.2 Stakeholders' Participation in Management

Models (surveys, interviews, etc.) supporting the participation of stakeholders, notably including employees, in the Company's management are carried out provided that the Company's activities are not hindered. On the other hand, requests and suggestions made during meetings held with employees and other stakeholders are assessed by the managers, and policies and applications for these are realized. Within this framework, it is ensured that the stakeholders participate in the management with information provided at the General Assembly for shareholders and with information provided through various meetings, Corporate Portal and electronic mail for employees. In addition, the evaluations of employees regarding applications are collected with the Employee Loyalty questionnaires made throughout Eczacıbaşı Group, and employee loyalty and satisfaction are measured. The improvement targets for questionnaire results are added to performance cards of General Managers by also considering the Company's activities.

4.3 Human Resources Policy

Our human resources policy, based on Eczacıbaşı values and placing human in the focus of all activities as the most important factor providing competitive advantage, is based on the following principles:

- ❖ To ensure a structure flexible in organization and open for change requirements in line with the Corporate Strategic Plan and Objectives,
- ❖ To ensure that human resources are used actively and effectively in line with the Corporate Objectives,
- ❖ To regularly review and improve the human resources processes and systems,
- ❖ To increase performance at individual, team and organization level by promoting learning activities and developing knowledge, skills and behaviors of employees,
- ❖ To create personal development and career development opportunities for employees in line with the requirements of our organization and with results of performance evaluation studies,

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- ❖ To constantly improve the satisfaction level by realizing required improvements in parallel with the measurement of satisfaction perception of employees and other relevant performance indicators,
- ❖ To introduce persons who have competences required by work and strong communication skills, who are creative, innovative, active, open to changes, transparent, energetic, who aim to develop themselves and their work, who raise competent person and who will adopt and sustain our values, to our organization,
- ❖ To ensure that, among man and woman candidates with equal characteristics, woman candidate is preferred.

Our Company's Human Resources management is conducted by the Financial Affairs Department and the common policies, fundamental principles and procedures, determined by the Group Presidency of Human Resources in Eczacıbaşı Holding A.Ş. for all organizations in the Group, are implemented as our Company is an organization of Eczacıbaşı Group. These fundamental principles and procedures are shared with the employees of Eczacıbaşı Group through the Corporate Portal. There is no union member personnel in our Company.

No complaint about discrimination has been received from the employees until today.

4.4 Code of Conduct and Social Responsibility

Code of Conduct

The activities of the Company are conducted within framework of the following code of conduct determined by Eczacıbaşı Group. These codes are published also in our Corporate Governance Compliance Report and on the Company's website within framework of the compliance with the Corporate Governance Principles published by CMB.

With the purpose of realizing its main objective "**to have the perfect human resources supported with the best human resources practices**", our organization has adopted the following policies:

- ❖ In line with the strategic plans and objectives of the organizations under the Group, to ensure that they keep their organization structures dynamic and that they are ready for changes,
- ❖ To improve individual and team performance with constant processes and system to improve quality, and to create opportunities for our employees to have a professional working environment and to develop career in order to use the human resources in the most active and effective way and to direct the management power in line with the objectives of the Group,
- ❖ To introduce persons who have high education level, who are open for innovations and changes, who have entrepreneurial ability, who are energetic, who aim to develop themselves and their work, who raise person and who will adopt and sustain the values of the Group, to the society.

Quality, customer satisfaction, productivity, participative management, teamwork, flexibility and open communication were concentrated upon while realizing these objectives and policies and for these studies conducted and systems developed regarding human resources.

While fulfilling their duties, the employees are liable to respect the below-mentioned Group's Code of Business Conduct, to comprehend the importance of responsibilities conferred and to fulfill those responsibilities.

Each employee;

1. Is responsible for fulfilling his/her duty carefully and rigorously, following and comprehending legal rules and changes made regarding his/her respective works, and getting required information to fulfill his/her duty. In the event that any difficulty is encountered in this regard, officers of relevant organization should be consulted.
2. Conducts his/her studies with productivity and performance expected from him/her in accordance with the requirements and qualities of work.
3. Is obliged to prioritize the interests of the organization and to avoid from any activity and transaction, to damage the organization, while making decision about his/her duty.
4. Is liable to keep information that he/she learns about his/her duty but that is considered risky to disclose and is required to be kept confidential.
5. Is obliged to respect the laws and to avoid from any activity to put the organization in a difficult situation and to harm its prestige.

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6. Should be attentive to select reputable persons or organization to adopt and implement the Group's Code of Business Conduct, while recruiting employee in his/her respective team or while working directly/indirectly with third parties related to his/her works.
7. Can not try to benefit from private and legal persons due to his/her duty and can not propose or offer an illegal payment or help to any person or organization.
8. Is obliged to always prioritize the Group's Code of Business Conduct for his/her relations both with the government and customers, and to avoid from attempts aimed to influence the other party but harming the prestige of his/her organization while representing his/her organization in such platforms.
9. Is responsible for meeting customer satisfaction and treating any person and organization equally by prioritizing quality, speed, convenience, kindness and respect provided being honest, reliable and dignified for his/her relations with customers and business owners.
10. Is liable to respect the organization's workplace working order and working hours, to act in accordance with the starting and ending time and the breaks of working hours, and to fulfill his/her service duty without any disruption in this regard.
11. Is responsible for respecting the working order and hours of the Group and for using all the working hours for the Group. He/she can not conduct any work to generate income from any other place, and can not take office as manager or consultant in any other organization. He/she can take charge in management bodies of voluntary agencies such as association and foundation and of chambers upon approval of CEO. Payments related to membership admission fees and annual fees for memberships approved by CEO are made by organization of employee. Can never take charge in management bodies of political parties.
12. Can not make statement and provide information to press organizations about his/her organization unless authorization is given by CEO.
13. Is liable to protect any money, official document, tools and equipment related to the organization, to ensure their safety and not to use them for personal needs.
14. Is liable to respect the Labor Law Legislation, employment contract, the working conditions determined with this regulations as an annex to employment contract, and verbal and written instructions given by the employer or officers of the employer related to conduct of the work and behaviors in the workplace, as well as working discipline and occupational health and safety rules.

Required care is paid to notify those acting against the Group's Code of Business Conduct, by documenting as much as possible and assessing objectively such actions, to top executive as soon as possible and to take precautions in this regard.

In this scope, the employees are responsible for notifying any change in their familial, marital and address status and providing information about them, their families or relatives as well as documents forming basis to these and taken basis in terms of rights and obligations regulated by contracts and regulations. Employees are fully responsible for notifying changes in their personal information. Notification address is the last address notified by the person, and notifications made to such address are deemed to have been duly served.

Likewise, the employees;

- ❖ Are obliged to make decision by valuing the interests of the organization above any thing without being influenced by the interests about them or their families, while fulfilling their duties.
- ❖ Within this framework, relations and activities of employees outside the organization should not be in conflict with their responsibilities as being a member of the Group and should not be against the laws.
- ❖ The employees are liable not to abuse the sources of the Group and not to harm the prestige of the Group.
- ❖ Regarding the Group, the employees are obliged to take into consideration advantages and disadvantages of their relations and activities outside the Group and possible conflicts of interest that may result from such activities.

Social Responsibility

The social, cultural and some sport activities are supported by our organization within the scope of the principles of Eczacıbaşı Group. There is no lawsuit brought against our organization due to damage to environment. Environmental pollution has been adopted by our organization as our most important social responsibility and our environmental policy has been published and announced to all of our employees.

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Policy of Relations with Society and External Organizations

As an organization having corporate social responsibility, our Company:

- ❖ Will oversee the compliance with the laws and the codes of conduct as a prerequisite for its relations with the society and external organizations as for all of its relations with its stakeholders.
- ❖ Will collaborate with the local community and with broader segments of the society where necessary by using the working opportunities to provide mutual benefit.
- ❖ Will effectively benefit from the opportunities of collaboration with external organizations in line with its principle of constant and mutual development.

Environmental Policy

In line with its excellence objective, our Company adopts the following objectives and principles in order to protect the environment and to systematically popularize the awareness of protecting environment:

- ❖ To raise awareness of all employees, partner organizations and the local community in order to create and constantly improve environmental conscience,
- ❖ To minimize negative impact likely to be caused on the environment by reducing any kind of pollution, recycling wastes and disposing non-recyclable wastes with appropriate techniques,
- ❖ To pay attention to protect the naturality of the environment,
- ❖ To give support to initiatives of the government agencies and society to protect environment,
- ❖ To constantly follow and improve the applications related to occupational health and safety.

In accordance with these objectives and principles, we undertake and announce to public on behalf of the employees of our Company that we will fulfill our social responsibilities, that we will recover our impact likely to be cause to the environment and we will constantly improve our performance, that we will respect all laws, regulations and standards regarding protection of the environment and natural resources for a sustainable future, and that we will show an exemplary approach.

Participation in Education and Training Activities

Our Company helps and provides resource to assignments and researches of university students who have such demand. It donates computer and equipment within the scope of information technologies to various educational institutions. Our Company provides internship opportunity and gives support to vocational high school and university students.

Support to Sport and Entertainment Activities

Eczacıbaşı Sports Club, to which our Company makes contribution, has become champion and achieved success for many time at home and on abroad, and has played a big role for the development and promotion of Turkish sport. Since 1999, our Company has been making donations to the provincial and district sports clubs. In order to cause sports to be loved and sports culture and ethics to be adopted, the volleyball school for girls is in service under the leadership of Eczacıbaşı Sports Club.

SECTION V - BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

In accordance with our Articles of Association, the activities and management of our Company are conducted by a board of directors, comprised of minimum 5 members, to be elected upon the decision of the general assembly pursuant to the Turkish Commercial Code and the Capital Market Legislation. The authorities and responsibilities of members of Board of Directors and managers are explicitly defined in the Articles of Association. The authorities are specified in the Company's signature circular in detail. In our organization, the Chairman of the Board of Directors and the General Manager are not the same person.

EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.

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Members of the Board of Directors are identified to allow them to carry out efficient and constructive studies, to take swift and rational decisions, to set up committees and to organize their studies effectively.

The Board of Directors of the company is formed by six non-executive members.

Name-Surname	Title	Start Date of Taking Office	Status of Independency
F. Bülent Eczacıbaşı	Chairman of the Board	26 th April 2016	-
R. Faruk Eczacıbaşı	Vice Chairman of the Board	26 th April 2016	-
M. Sacit Basmacı	Member	26 th April 2016	-
Ayşe Deniz Özger	Member	26 th April 2016	-
Şenol S. Alanyurt	Member	26 th April 2016	Independent Member
Akın Dinçsoy	Member	26 th April 2016	Independent Member

The committees in which the Board Members will take office until the Ordinary General Assembly Meeting of 2017 and their duties outside the Company are presented below:

Name-Surname	As of the Latest Situation Duties Assigned For out of Partnership	Committees Participated and Title
F. Bülent Eczacıbaşı	Eczacıbaşı Holding A.Ş. - Chairman of the Board / Chairman of the Presidency Board of Eczacıbaşı Group / Chairman and Member of the Board in the companies of Eczacıbaşı Group	Not available.
R. Faruk Eczacıbaşı	Eczacıbaşı Holding A.Ş. - Vice Chairman of the Board / Vice Chairman of the Presidency Board of Eczacıbaşı Group / Chairman and Member of the Board in the companies of Eczacıbaşı Group	Not available.
M. Sacit Basmacı	Eczacıbaşı Holding A.Ş. - President and General Manager of Financial Affairs Group / Member of the Board in the companies of Eczacıbaşı Group	Corporate Governance Committee - Member
Ayşe Deniz Özger	Eczacıbaşı Sağlık Hizmetleri A.Ş. - Member of the Board / Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi A.Ş. - Member of the Board	Early Risk Detection Committee - Member
Şenol S. Alanyurt	Technical Advisor (in an organization outside the Group)	Audit Committee - President
Akın Dinçsoy	Not available.	Audit Committee - Member / Corporate Governance Committee - President / Early Risk Detection Committee - President

The curriculum vitae information of the members of the Board is included on the preamble section of the activity report.

During the Ordinary General Assembly Meeting of 2016, 2 independent members having the quality to fulfill their duties without being influenced by anything were elected among the Board members in accordance with the Corporate Governance Principles of the Capital Markets Board. All of the Independent Members of the Board fully meet the "independency criteria" specified in the Communique. The candidates for Independent Member of the Board submitted their statements of independence and their background information to the Corporate Governance Committee before the General Assembly meeting and all of them were identified as independent members by the Board of Directors.

The statements of independence of our Independent Members of the Board are presented below:

STATEMENT OF INDEPENDENCE

I hereby declare that within framework of the legislation, the articles of association and the criteria specified in the Corporate Governance Communiqué of the Capital Markets Board, I am candidate for taking office as "independent member" in EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş. (Company), and within this scope;

- That there has been no employment relation at manager level to undertake significant roles and responsibilities, that more than 5% of capital or voting rights or privileged shares has not been collectively or individually acquired or that no material commercial relationship has been established during the last five years between the Company, partnerships in which the Company has management control or material affect, partners having management control on the Company or having material affect on the Company, legal persons in which such partners have management control, and me, my spouse and my second degree relatives by blood and marriage;
- That during the last five years, I have not taken office as partner (5% and above), employee in capacity of manager to undertake significant roles and responsibilities or member of the board of directors in the companies from/to which the Company has considerably purchased/sold service or product, within framework of the agreements concluded including notably the Company's audit (including tax audit, legal audit, internal audit), rating and consultancy, for the period during which such service or product purchase or sales transactions have been performed;
- That I have the professional education, knowledge and experience to duly fulfill the duties I will assume due to being independent member of the Board of Directors;
- That I will not work for fulltime in public organizations and institutions, except for being faculty member in university and provided that it is consistent with the legislation, after being elected as member;
- That I am considered resident in Turkey pursuant to the Income Tax Law;
- That I have strong ethical standards, professional reputation and experience to make positive contributions to activities of the Company, to maintain my impartiality in the conflicts of interest between the Company and the shareholders, and to make decisions independently by considering the rights of the stakeholders;
- That I will allow time to the works of the Company to such extent that I can follow up functioning of the Company's activities and completely fulfill the requirements of the duties I assume;
- That I have not served as member of the Board of Directors for more than six years within the last ten years in the Board of Directors of the Company;
- That I do not take office as independent member of the board of directors in the Company and in more than three of the companies controlled by the partners having management control on the Company and, in total, in more than five of the companies being traded in the stock market;
- And that I have not been registered and announced on behalf of the legal person elected as the member of the board of directors.

Akın Dinçsoy - 18th March 2016

STATEMENT OF INDEPENDENCE

I hereby declare that within framework of the legislation, the articles of association and the criteria specified in the Corporate Governance Communiqué of the Capital Markets Board, I am candidate for taking office as "independent member" in EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş. (Company), and within this scope;

- That there has been no employment relation at manager level to undertake significant roles and responsibilities, that more than 5% of capital or voting rights or privileged shares has not been collectively or individually acquired or that no material commercial relationship has been established during the last five years between the Company, partnerships in which the Company has management control or material affect, partners having management control on the Company or having material affect on the Company, legal persons in which such partners have management control, and me, my spouse and my second degree relatives by blood and marriage;
- That during the last five years, I have not taken office as partner (5% and above), employee in capacity of manager to undertake significant roles and responsibilities or member of the board of directors in the companies from/to which the Company has considerably purchased/sold service or product, within framework of the agreements concluded including notably the Company's audit (including tax audit, legal audit, internal audit), rating and consultancy, for the period during which such service or product purchase or sales transactions have been performed;
- That I have the professional education, knowledge and experience to duly fulfill the duties I will assume due to being independent member of the Board of Directors;
- That I will not work for fulltime in public organizations and institutions, except for being faculty member in university and provided that it is consistent with the legislation, after being elected as member;
- That I am considered resident in Turkey pursuant to the Income Tax Law;
- That I have strong ethical standards, professional reputation and experience to make positive contributions to activities of the Company, to maintain my impartiality in the conflicts of interest between the Company and the shareholders, and to make decisions independently by considering the rights of the stakeholders;
- That I will allow time to the works of the Company to such extent that I can follow up functioning of the Company's activities and completely fulfill the requirements of the duties I assume;
- That I have not served as member of the Board of Directors for more than six years within the last ten years in the Board of Directors of the Company;
- That I do not take office as independent member of the board of directors in the Company and in more than three of the companies controlled by the partners having management control on the Company and, in total, in more than five of the companies being traded in the stock market;
- And that I have not been registered and announced on behalf of the legal person elected as the member of the board of directors.

Şenol Süleyman Alanyurt - 18th March 2016

CORPORATE GOVERNANCE COMPLIANCE REPORT

Upon the decision of the General Assembly dated 26th April 2016, our members of the Board of Directors were entitled to make transactions in accordance with the articles 395 and 396 of the Turkish Commercial Code. Members of the Board of Directors can take charge in the subsidiaries of Eczacıbaşı Group and as a principle, can not take office outside the Group.

It is considered that having diversity in terms of knowledge, experience and point of view in our Board of Directors will make positive contribution to the Company's activities and to the effective working of the Board of Directors. Our assessment studies are ongoing to determine a target rate for woman members of the board of directors being an intermediary to ensure that different opinions are represented in the Board of Directors. Currently, Ayşe Deniz Özger is the woman member of the Board of Directors in accordance with the Corporate Governance Principles.

5.2 Principles of Activity of the Board of Directors

As specified in the Articles of Association of our Company, the Board of Directors holds meetings as is necessitated by the Company affairs. Agenda of meetings of the Board of Directors is determined upon notification of issues, explicitly ordered in our Company's Articles of Association to be submitted to decision of the Board of Directors, by relevant departments to the Company's senior management and to the members of the Board of Directors. In 2016, our Board of Directors held 25 meetings in total. The meetings were mostly held with participation of all members. Meetings are held in the Company's headquarters and invitation to meetings is made by telephone and/or e-mail. Decisions of the Board of Directors that are of significance are disclosed to public through PDP, and are published in Turkish and English on the website.

Each member of the Board of Directors has one voting right. No prevailing voting right and veto right has been granted to members of the Board of Directors. The resolutions taken in the Board of Directors meetings were unanimously taken, and there was no member of the Board opposing to the resolutions taken. As no such opposition or view was declared at the meetings of the Board of Directors held in 2016, no public disclosure was made in this regard.

At the meetings of the Board of Directors, the issues on the agenda are discussed openly and in all respects. The Chairman of the Board of Directors uses his best efforts to guarantee active participation of non-executive members in the meetings of the Board of Directors.

Our Company offers "executive liability insurance" to members of the board of directors and senior executives.

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

In our organization, there are committees to enable the Board of Directors to properly fulfill its duties and responsibilities and the committees conduct their activities within framework of the determined working principles. The members taking office in several committees ensure communication between the committees working for related issues and increase the opportunities for cooperation.

The fields of duty and the working principles of the committees as well as the members for form such committees are determined by the Board of Directors and announced to public on the website of the Company.

All the members of the Audit Committee and the presidents of the other committees are elected among the independent members of the Board of Directors. General Manager can not take charge in committees. Considering the structure of our Company's board of directors, some members of the Board had to take office in several committees within the scope of the compulsion to establish three different committees pursuant to the Capital Market legislation. However, this does not cause any conflict of interest.

The Board of Directors provides the committees with any resource and support required for the fulfillment of their duties. The committees can invite any manager they deem required to their meetings and receive opinion of such manager. The committees make use of independent expert views on issues which they deem necessary in relation to their activities, and fees for consultancy services are borne by the Company.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Audit Committee

Established upon the decision made during the meeting of the Board of Directors held on 6th May 2003, the Audit Committee fulfills the duties stipulated in the Capital Market Legislation and the Corporate Governance Principles. All the members of the Audit Committee are independent members of the Board of Directors. During the meeting of our Board of Directors held on 27th April 2016, it was decided to form the committee by 2 members and to appoint Şenol S. Alanyurt as President and Akın Dinçsoy as member. The working principles of the Committee are announced on the website of the Company and the Committee holds regular meetings four times a year. Moreover, it submits in written its opinion related to election of independent auditor and its opinion built regarding accuracy, authenticity and compliance of annual and interim financial statements, to be disclosed to public, with the accounting principles followed by the partnership also by considering the assessments of the responsible managers of the partnership and of the independent auditors. The Audit Committee held 9 meetings related to the activities of 2016.

Corporate Governance Committee

It was established upon the decision of the Board of Directors dated 31st May 2012 in order to monitor the Company's compliance with the corporate governance principles, to perform improvement studies in this regard and to make suggestions to the Board of Directors. During the meeting of our Board of Directors dated 27th April 2016, it was decided to form the Corporate Governance Committee by three members and to appoint Akın Dinçsoy, the independent member of the Board of Directors, as President and Mustafa Sacit Basmacı and Gülnur Günbey Kartal (Investor Relations Department Manager) as members. As individual Nomination Committee and Remuneration Committee were not established due to the structure of the Board of Directors, it was decided upon the same decision that the Corporate Governance Committee would fulfill also the duties of these committees.

The Corporate Governance Committee determines whether the corporate governance principles are applied in the Company, if not, the reason for that and the conflicts of interest arising from not fully observing these principles, and makes suggestions to the Board of Directors for improving the practices and oversees the activities of the Investor Relations Department.

The working principles of the Committee are announced on the website of the Company. The Corporate Governance Committee held 5 meetings related to the activities of 2016.

Early Risk Detection Committee

In accordance with the Communiqué, with series IV number 63, of CMB entered into force after its publication on the Official Gazette number 28567 dated 22nd February 2013; during its meeting held on 17th May 2013, our Board of Directors removed the risk issue, included within the duties and responsibilities of the Corporate Governance Committee, from the duties and responsibilities of this committee and decided to establish the "Early Risk Detection Committee" to work in this regard. During the meeting of our Board of Directors held on 27th April 2016, it was decided to form the committee by 2 members and to appoint Akın Dinçsoy as President and Ayşe Deniz Özger as member. The working principles of the Committee are announced on the website of the Company.

The Early Risk Detection Committee makes suggestions recommendations to the Board of Directors for the issues related to the early determination and assessment of any strategic, operational, financial, legal and any other risks to endanger the existence, the development and the continuance of the Company; the calculation of effects and possibilities of these risks; the management of these risks in accordance with the corporate risk taking profile of the Company; reporting of these risks; implementing the required precautions related to the determined risks; taking these precautions into consideration in the decision mechanisms; and creating effective internal control systems accordingly and the integration of them, in order to comply both with the regulations of Capital Markets Board on Corporate Governance and the article 378 of the Turkish Commercial Code number 6102. The duties and the working principles of the Early Risk Detection Committee have been determined within framework of the Capital Market Legislation, the Company's Articles of Association, the Turkish Commercial Code and the regulations, provisions and principles included in the "Corporate Governance Principles" of the Capital Markets Board. The Article 378 of the Turkish Commercial Code stipulates that, with its bimonthly report to be submitted, the Committee will assess the relevant period regarding the risks that may affect the existence and the continuation of the Company, will refer hazards, if any, and will show solutions. Within this framework, the Early Risk Detection Committee held 7 meetings related to the activities of 2016.

5.4 Risk Management and Internal Control Mechanism

In Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar, risk management is dealt with an integral perspective. The strategic, operational, financial and all of the other issues considered posing risk for the achievement by the Company of its short and long-term objectives are assessed at each level of the organization starting from the Board of Directors.

As risk management cannot be considered separated from the management of business processes, the applications related to risk management are realized within the Company as much as possible and are not left to external sources and advisors. Accordingly, one of the important tasks of the process owners is to manage relevant risks.

The Board of Directors creates internal control systems to include risk management, information systems and processes that are able to minimize risks that may affect the Company's stakeholders, including, notably the shareholders, by also considering the views of the relevant committees of the Board of Directors.

The primary risks incurred by our organization are monitored under two main titles as financial risks (foreign exchange, interest, liquidity and credit) and nonfinancial risks (strategic and operational), and the Board of Directors is periodically informed about these risks. Detailed information related to risk management is available in relevant section of the activity report.

5.5 Strategic Targets of the Company

The Board of Directors manages and represents the Company through strategic decisions by observing, in the first place, long-term interests of the Company, using a reasonable and cautious risk management approach that keeps the Company's risk, growth and yield balance at the right level.

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

The Board of Directors observes that the Company's activities are in compliance with the legislation, the articles of association, internal regulations and the adopted policies. During the Board of Directors and Senior Management meetings held periodically, the Company's objectives and its activities realized are monitored so as to include the performances of the previous periods. The current situation of the Company is reviewed and new targets and strategies are developed where deemed necessary as a result of existing conditions.

5.6 Financial Benefits

Our Company's "Compensation Policy for the Board of Directors and Senior Executives", including any rights and benefits provided to the members of the Board of Directors and Senior Executives as well as the criteria to determine these and the compensation principles, was submitted for review of our partners on our website through the "Information Document" published three weeks before the Ordinary General Assembly Meeting dated 26th April 2016.

According to the Articles of Association of our Company, the rights to be provided to the members of the Board of Directors are determined at the General Assembly. The Chairman and Vice Chairman of the Board of Directors may be provided with fee appropriate to their positions as a result of their service and provided that they are also employees. Regarding the compensation for the independent members of the Board of Directors, there is not any compensation system based on stock options or Company's performance. The independent members of the Board of Directors are paid with the fee determined in accordance with the decisions of the General Assembly.

There is no transaction to cause conflict of interest such as lending to the members of the Board of Directors or to senior executives, making loan available to them, making loan available to them by means of personal loan through a third person or giving security on their behalf.

The Company collectively discloses to public the total benefits provided to the senior executives in the marginal notes of its financial statements in parallel with the general applications.