

## **SECTION I - DECLARATION FOR COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES**

Corporate Governance Principles Compliance Report for the period of 1 January - 31 December 2015 has been issued in accordance with the Corporate Governance Communiqué n.II-17.1 published in the Official Gazette dated 3 January 2014 and numbered 28871.

### **Efforts made to comply with the principles during the period**

- ❖ Principal studies concerning corporate governance in 2015 include adaptation process to the Capital Markets Law covering governance principles and new regulations and the Communiqués based on such law. Required amendments in the articles of association to comply with the new Turkish Commercial Code and Capital Markets Board were accepted by the Ordinary General Assembly gathered on 14 May 2013.
- ❖ Our Board of Directors and Committees of Board have been constituted in accordance with the regulations in Corporate Governance Notice. In this scope, the Manager of the Company's Investor Relations Unit has been assigned as a member to the Corporate Committee at the 14 April 2015 dated Board meeting.
- ❖ "Remuneration Policy" for the Board of Directors and Top-Level Managers was created and was submitted to the information of the shareholders during General Assembly.
- ❖ By the informing document prepared for the General Assembly, General Assembly information such as the voting rights and organizational changes, CV's of the candidates for membership to the board of directors, remuneration policy for the board of directors and top managers, the reports that should be issued about related party transactions and the information that should be disclosed were made available to the investors 3 weeks in advance of the General Assembly.
- ❖ All our related party transactions were submitted to the board of directors for information and it was resolved that such transactions continue with the approval of the members of the board of directors.
- ❖ Moreover, the website and activity report of our Company were reviewed, and necessary revisions were made as needed in terms of full compliance with the principles.

Necessary work for compliance with the Corporate Governance Principles will also be done during the next period, taking into account the developments and practices in legislation.

### **Corporate Governance Principles Not Yet Applied**

Full compliance with the mandatory principles under the current Communiqué has been achieved and most of the principles not being mandatory have also been complied with. However due to challenges encountered in the implementation of some principles, as well as the ongoing discussions in our country and in the international platform regarding compliance with certain principles and the failure of the current market and corporate structure to meet such principles in a proper fashion, full compliance has not yet been achieved. The principles, which have not yet been fully implemented, are being worked on, and implementation is planned following completion of the administrative, legal and technical infrastructure works in a manner to contribute to the efficient management of our company. The comprehensive efforts of our company within the framework of the corporate governance principles and the principles, which has not yet fully been complied with under the respective sections and any conflicts of interest arising therefrom are explained below on the basis of principles. For example;

- ❖ Considering our company's board of directors structure, some of the members of the Board of Directors have taken office in several committees due to the obligation of three different committee pursuant to the Capital markets regulations.
- ❖ With respect to the item 4.3.9; there is ongoing assessment as to the ratio of female members in the Board of Directors since no target ratio and time has been defined so far. Detailed information is given in section 5.1 of the report.

## **SECTION II - SHAREHOLDERS**

### **2.1 Investor Relations Department**

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (“the Company”) manages its investor relations through the Capital Markets and Investor Relations Department, which was established in 1993, under the Financial Affairs Department. However; as a result of organizational and operational alterations made in 2006, the tasks of this department was taken over by the Internal Audit Manager of the Company as from 1 November 2006.

In parallel with the amendments made in regulations of Capital Markets Board, the name of this department was updated as “Investor Relations Department” and Investor Relations Manager of the Company was appointed as the member of the Corporate Governance Committee at the Meeting of the Board of Directors held on 14 April 2015.

Particulars of the persons in Investor Relations Department:

Manager of the Investor Relations Department:

Name and Surname	: Gülnur Günbey Kartal
Title	: Internal Audit Manager
Telephone	: 0 212 371 73 94
Fax	: 0 212 371 73 99
e-mail	: gulnur.gunbey@eczacibasi.com.tr
Licence Type/Number	: Capital Markets Operations Advanced Level / 204571 Corporate Governance Rating Specialist / 700606

Officer of the Investor Relations Department (\*):

Name and Surname	: Betül Aktekin Aytar
Title	: Senior Accountant

(\*). In accordance with the Article 11 of the Communiqué on Corporate Governance of the Capital Markets Board, came into force upon publication in the Official Gazette, dated 3 January 2014, Ceyla Ozgen, who has been working as the Financial Reporting Specialist, has been assigned to the Department of Investor Relations on 12 January 2015. However later, as she left the company, Betül Aktekin Aytar was appointed to this post on 15 May 2015.

Investor Relations Department of the Company has played an effective role in terms of obtaining information and right to inspect as well as protection of the shareholders’ rights and facilitating the use of such rights.

Main activities carried out by the Investor Relations Department:

- ❖ To ensure that shareholders’ records are kept in a sound, secure and up-to-date manner.
- ❖ To respond to all requests of the shareholders for information in writing or orally except for the information not yet disclosed to public, confidential information or trade secrets and in a manner not to cause any information inequality.
- ❖ To ensure that the General Assembly complied with the current legislation, the Company's Articles of Association and other internal regulations.
- ❖ To prepare the documents that can be beneficial of shareholders attending the General Assembly.
- ❖ To ensure that the voting results have are recorded and that reports related to these results are sent to the requesting shareholders.
- ❖ To monitor and follow up on all matters related to public disclosure, including legislation and the Company’s disclosure policy.
- ❖ To provide information to the analysts conducting an evaluation about of the Company,
- ❖ To provide information to the academics who conduct studies about the company and the market,

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

- ❖ To prepare in Turkish and English and frequently update Investor Relations Section, which is found within the corporate internet site ([www.eczacibasi.com.tr](http://www.eczacibasi.com.tr)) of the Company and to ensure easy and quick access by investors to information concerning the Company through the Internet
- ❖ To ensure two-way communication between the shareholders and Top-Level Managers and the members of the Board of Directors.
- ❖ To make available any information and disclosure, which may affect the exercise of the shareholding rights in nature, to the shareholders on Company's website in an updated manner,
- ❖ To disclose to the public by communicating the required Material Statement Disclosures to the BIST through the Public Disclosure Platform (“PDP”) with due consideration of the II-15.1 of the Capital Market Board,
- ❖ To follow up any amendments to the Capital Market Code and any relevant legislation and present the same to the attention of the relevant departments,
- ❖ To represent the Company before the Capital Markets Board, Istanbul Stock Exchange and Central Registry Agency.

Investor Relations Department submitted its report on the activities carried out in 2015 to the Corporate Governance Committee on 15 January 2016 and upon evaluation of the report by the Committee, the report was then evaluated by the Board of Directors on 25 January 2016.

## **2.2 Exercise of Shareholder Rights to Obtain and Evaluate Information**

The Company pays utmost care to comply with all CMB regulations, Articles of Association and other in-house regulations related to the satisfaction of the requests of our shareholders for the exercise of their rights and appropriate steps are taken in order to ensure that such rights are exercised properly and all the shareholders are treated fairly. As far as we are concerned, in 2015, there were no administrative and/or legal proceedings against our company concerning the use of shareholding rights, nor oral or written complaints.

All shareholders are treated equally when they exercise their right to request and evaluate information and any information required by them in order to duly exercise their shareholding rights have been shared with them, except for the trade secrets. The information are provided on a timely manner and carefully so as to fairly reflect the facts.

All the questions and inquiries received at the Investor Relations Department during the year are replied by phone or in writing by contacting the most competent person of the relevant matter except for confidential information or trade secrets. In an effort to increase the rights of the shareholders to obtain information, any and all the information that may have impact on the exercise of the rights are made available for use by the shareholders on updated bases in electronic media. Information and developments that may affect shareholders' rights are publicly disclosed through special disclosure and also published in the website of the Company.

While there is no provision in our Articles of Association that a private auditor be appointed as individual right, under article 438 of the Turkish Commercial Code, each shareholder may ask the General Assembly to reveal certain occurrences through private audit even if the agenda has no such item if it is necessary for exercising the shareholding rights and if the right to receive and examine information has been exercised before. To date, no shareholder has raised such a request. Moreover, the activities of the Company are periodically audited by the Independent Audit Firm approved by the General Assembly.

## **2.3 General Assembly Meetings**

The invitations to the General Assembly meetings are made by the Board of Directors at least 3 weeks in advance of the date of meeting, excluding the days of announcement and meeting, in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law, the Company’s Articles of Association and the Corporate Governance Principles. The Articles of Association of our Company has been prepared accordingly.

Our Board of Directors informs the public via a disclosure statement published on the Public Disclosure Platform (“PDP”) and Electronic General Assembly System (“EGAS”) along with the items of the agenda on the date of resolution taken for convening the General Assembly meeting.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

The announcements regarding the invitations to the General Assembly meetings are published on the Company's Internet website and also in Turkey editions of the newspapers believed to be highly followed up by the shareholders in order to ensure disclosure of the announcement to the highest number of shareholders possible including electronic communications not later than 3 weeks before the actual date of the General Assembly meeting in accordance with the required statutory legislation.

The meetings are publicly held in the city center in order to facilitate attendance to the General Assembly. The meetings can be followed up by our stakeholders and media.

The financial statements and reports including the annual report, the profit distribution proposal, the General Assembly Information Document prepared in relation to the items on the agenda of the General Assembly and the other documents constituting the basis for such items of the agenda, the latest version of the articles of association, and the text of amendment and the related rationale for justification of, if any, the amendments to be made in the articles of association are made available for information and examination purposes at convenient places of the company's headquarters for ease of access by our shareholders including its website starting from the date of announcement published in relation to the invitation for general assembly meeting. The information proposed for each item of the agenda is provided to the shareholders in the information documents related to the items of the agenda. Moreover, English version of all the documents likely to be required by the foreign shareholders with respect to the General Assembly and the items of the agenda is made available at the website of the Company.

The form of proxy is published for the shareholders that will be represented by their proxies and they are made available for the shareholders via our company's Internet site before the meeting of the General Assembly.

At the General Meetings, attention is paid in order to ensure that the matters contained in the contents of agendas are transmitted impartially and in details, and in an explicit and comprehensible manner, and the shareholders are provided with the opportunity to express their opinions and to ask questions under equal conditions as well as they are allowed to discuss over the annual report and performance indicators of the Company.

The minutes of the General Assembly meetings are disclosed to the public via the PDP and they are also provided on the Company's Internet website. One copy of the minutes is sent to the CMB; and one copy is made available at the Company's headquarters for inspection by our shareholders.

In 2015, the Company held one General Assembly Meeting. The Ordinary General Assembly meeting held for 2014 was held on 13 April 2015 with 88 percent attendance. Of the shareholders holding public shares, 4 real and 86 legal persons were registered in the List of Attendants. Our General Assembly meeting has been held under the surveillance of the Ministry Observer assigned by the Provincial Directorate of the Governorship of Istanbul. In the General Assembly meeting, our shareholders exercised their rights to ask questions. The questions were answered by the members of the Board of Directors and the General Manager depending on the subject matter. No demand has been received from our shareholders to add anything to the items of the agenda in this respect.

At the Ordinary General Assembly held in 2015, information about the grants and donations made in 2014 was given under a separate item in the agenda and upper limit for donations that may take place in 2015 was defined as TRY 500,000 and no changes were made in donation policy.

## **2.4 Voting Rights and Minority Rights**

In our company, any practices complicating the use of voting rights are avoided; and all our shareholders including the overseas shareholders are allowed to use their voting rights equally, easily and as required. Open voting method applied by raising hands is being used for voting of the items on the agenda in the General Assembly Meeting provided that the provisions concerning the voting electronically are reserved. Each item on the agenda is voted separately in the meeting.

There are no privileged voting rights envisaged under the Articles of Association; every share has one vote. The Company has no procedure that foresees voting rights being exercised within a determined period after the acquisition date. There is no item in the Company's Articles of Association that prevents a shareholder's proxy from voting on the shareholder's behalf.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

Eczacıbaşı Holding A.Ş., which has a reciprocal stake and controlling interest in the Company greater than 50.62 percent and in which we hold 37.28 percent share exercises its vote at the General Assembly of our Company.

No shareholder has claimed to have minority shares, to date. Cumulative voting procedure is not applied.

## **2.5 Dividend Right**

The profit distribution policy of our Company and the annual profit distribution proposal of our Board of Directors are prepared together with the profit distribution statement designated by the CMB; and they are made available to our shareholders via the PDP environment for information purposes at the same time with the publication our Board of Directors' decision. The said proposal is included in our annual report and presented to the shareholders in the General Assembly for their approval. In addition, they are also publicly disclosed in the Company's Internet website together with the detailed information regarding the profit distribution statement, the profit distribution history and the increases of capital. Cash dividend with a gross rate of 8% has been distributed to our shareholders in 2015.

### **Dividend Distribution Policy**

At the meeting held on 18 March 2014, our Board of Directors resolved to implement a profit distribution policy in accordance with the profit distribution regulations of the Capital markets Board and regulations set forth in Section 26 of the Articles of Incorporation "Principles to be complied for profit distribution" as disclosed to the public and to present such policy to the approval of the shareholders at the Ordinary General Assembly to be held for the year 2013.

- ❖ In principle, based on the net profit of the period shown in the financial statements prepared and independently audited in accordance with the Capital Markets Legislation, it has been adopted to distribute dividends in cash and/or in terms of free shares over the "distributable profit of the period" as calculated according to the Capital Markets Legislation and other applicable legislation.
- ❖ Our articles of association does not contain a special provision about preferred shares, founder redeemed shares and distribution of profit to members of the Board of Directors and employees regarding distribution of profit.
- ❖ In preparing its profit distribution proposals presented to the approval of the General Assembly, the Board of Directors takes into consideration the sensitive balances between the Company's existing profitability, the probable expectations of our shareholders and prescribed growth strategies of our Company.
- ❖ Dividend payments (cash and / or bonus shares) are made as soon as possible after the General Assembly and within the legal time limit set by legislation.

The dividend policy is still being implemented, and the Board of Directors has not made any changes on this.

## **2.6 Transfer of Shares**

There are no provisions in our Company's Articles of Association restricting or complicating free transfer of shares.

## **SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY**

### **3.1 Corporate Web Site and Contents**

[www.eis.com.tr](http://www.eis.com.tr), corporate web site of the company has been actively used since April 2005 in compliance with the principles stipulated by the CMB with the aim of maintaining relations with the shareholders in an effective way and provides continuous communication with the shareholders. In this way, information about our company, human resources, subsidiaries, investors' relations are disclosed for the access of the public. As a result of restructuring of our organization in 2007, our web site was updated completely in 2008. Information on Investor Relations that can be found at [www.eis.com.tr](http://www.eis.com.tr) was directed to the [www.eczacibasi.com.tr](http://www.eczacibasi.com.tr) In Investor Relations section which is accessible through this link; there is more detailed information both in English and Turkish.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

The main headings that can be viewed on our Company's website are listed below:

- ❖ Detailed information on corporate identity
- ❖ Information regarding the members of the Board of Directors and the top management of the Company
- ❖ Committees within the structure of the Board of Directors
- ❖ Company organization and shareholding structure
- ❖ Company's Articles of Association
- ❖ Trade registry details
- ❖ Details on shares and share performance
- ❖ Financial data and indicators
- ❖ Press disclosures
- ❖ Material event disclosures
- ❖ Information document on the meeting date, agenda and the items of the agenda of General Assembly
- ❖ The minutes of the General Assembly and the list of attendants
- ❖ Form of Proxy
- ❖ Presentations made in the General Assembly meeting
- ❖ Corporate governance practices and compliance report
- ❖ Dividend distribution policy, history and increases of capital
- ❖ Information disclosure policy
- ❖ Remuneration policy for the Board of Directors and Top-Level Managers
- ❖ Ethic rules disclosed to the public as part of the disclosure policy
- ❖ Detailed information on corporate social responsibility

In this context, the information for at least the last 5 years is provided on the Internet website. The data contained herein are regularly updated and kept consistent with the disclosure made pursuant to the applicable legislation and no conflicting or incomplete data are contained.

The Investor Relations Department is responsible for the preparation and updating of the website with additional data. The works to ensure that the website may even provide better services are carried out on a continuous basis. The website address is also indicated on the Company's letterhead.

### **3.2 Annual Report**

The annual report of our Company is prepared in accordance with sufficient details to enable the public to access accurate and complete information about the activities of our Company. In addition to the matters stipulated in the legislation and Corporate Governance Principles, the annual reports contain:

- ❖ Information about the offices held by the members of the Board of Directors and officers outside the Company and statements related to the independence of the members of the Board of Directors,
- ❖ The assessment of the Board of Directors with respect to the working principles and efficiency of the Committees including the members, frequency of the meetings and activities carried out by the Committee established under the Board of Directors,
- ❖ Number of meetings of the Board of Directors held during the year and the attendance of the members of the Board of Directors,
- ❖ Information about the changes in the legislation so as to have a material effect on the operations of the Company,
- ❖ Information about the material litigation against the Company and possible outcomes thereof,
- ❖ Information about reciprocal participation in which direct contribution to the capital in excess of 5%,
- ❖ Information about social benefits of employees, their occupational training and corporate social responsibility activities regarding company operations leading to other social and environmental results.

## **SECTION IV - STAKEHOLDERS**

### **4.1 Disclosure to Stakeholders**

Within the boundaries of CMB regulations, stakeholders are informed through the General Assembly and responses provided to individual inquiries. Public disclosure is made through press conferences or press releases; employees are informed through Strategic Planning Meetings, General Manager's informative meetings and departmental meetings (changes in targets, wages, employee benefits, travel allowance, etc. are announced at these meetings.). At Eczacıbaşı Holding, there is a portal accessible by the employees providing all kinds of information and documents of interest to them including management changes and press releases communicated through that portal. In addition, the Corporate Communications Department at Eczacıbaşı Holding A.Ş. publishes an in-house periodical called "Yasam (Life)" in an effort to promote the communication with the employees.

The problems of the tenants of Kanyon, the most important clients of our Company are solved through direct meetings as well as Kanyon Yönetim İşletim ve Pazarlama A.Ş., which provides management services to the Kanyon complex also provides support in solving such problems.

Corporate structure of the company enables all stakeholders including employees and representatives communicate the management their concerns on improper procedures both ethically and legally. Among the duties of the Audit Committee is examining the complaints submitted. Besides, Internal Audit Manager deals with such concerns and communicates such concerns to the Audit Committee.

### **4.2 Support of Stakeholder Participation in Company Management**

Supportive mechanisms and models have been created to encourage stakeholder and especially employee participation in the Company's management without interfering company operations. The said models adopted by the Company are incorporated into the internal regulations of the Company. The stakeholders are consulted in case of material decisions affecting them. Stakeholders contribute to management through the General Assembly for shareholders and the employees are ensured to participate in the management by various meetings, Corporate Portal and notices sent by electronic mail.

### **4.3 Company Human Resources Policy**

Recognizing that people underpin the Eczacıbaşı Group's values and represent the main source of its competitive edge, the Company's human resources policies have its goals to:

- ❖ Establish an organizational structure that is flexible and open to change and in line with Company's Strategic Business Plan and Targets,
- ❖ Ensure that human resources are used effectively and efficiently to achieve the Company's strategic goals,
- ❖ Continually review and improve the Company's human resources processes and systems,
- ❖ Encourage employees to learn so that they might improve their knowledge, competencies and behavior, thus enhancing their individual performance as well as the performances of their teams and the Company,
- ❖ Create opportunities for personal and career development that respond to the needs of the Company and reflect performance evaluation results,
- ❖ Continuously raise the level of employee satisfaction by making improvements in areas noted by employee satisfaction surveys and other related performance indicators,
- ❖ Attract employees who have the right competencies for their jobs: who are creative, innovative, participative, open to change, entrepreneurial, energetic, transparent, and strong communicators; who want to develop personally and professionally and who are able to train others; who share our values,
- ❖ Ensure that the female candidate is preferred between male and female candidates of equal qualifications.

Our Company's Human Resources management is conducted by the Financial Affairs Management; and since it is a member of Eczacıbaşı Group, the shared policy, and the fundamental rules and principles determined by the Human Resources Group Directorate under the structure of Eczacıbaşı Holding A.Ş. and established for all companies

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

within the group are implemented duly. Such fundamental rules and principles are shared with the employees of Eczacıbaşı Group over the Company Portal.

Our Company does not have any personnel that are members to a trade union.

To date, there have been no complaints of discrimination from Company employees.

## **4.4 Ethical Principles and Social Responsibility**

### **Code of Ethics**

The Company's activities are conducted in accordance with the following code of conduct established by Eczacıbaşı Group. The code of conduct has also been published in our Corporate Management Principles Compliance Report and in the Company website as part of the compliance with the Corporate Governance Principles published by the CMB.

With a view to carrying out the primary objective which reads as **“to have the excellent human resource supported by the best human resources practices”**, our company has adopted the following policies:

- ❖ To ensure that the companies affiliated with the Group maintain their organizational structures in dynamic condition in line with their strategic plans and targets and that they are prepared for changes;
- ❖ For the purpose of using human resources in the most effective and productive way and directing management power in accordance with the Group targets, to develop individual and team performances with the processes and systems designed to improve the quality in a continuous manner and to create a professional work atmosphere and career development opportunities for our employees;
- ❖ To bring individuals in the Group with high education levels, who are open to innovations and changes, holding entrepreneurial abilities, vigorous, committed to improving themselves and their jobs, which train employees and adopt and create Group values.

In achieving such objectives and policies, and as to the operations applied and the systems developed with respect to human resources, focus is placed on quality, customer satisfaction, efficiency, participatory management, team work, flexibility and open communication.

The employees in the course of performing their duties are obliged to observe the Group's Code of Ethics as particularized below, to comprehend the importance of responsibilities assigned to them and to fulfill their responsibilities.

All employees:

1. Are responsible for performing their duties with precision and meticulousness, for keeping track of and understanding legal regulations governing their jobs and amendments made therein and for obtaining information required to do their job. In the event that any inconvenience is encountered in this regard, seeking advice from the authorized officers of the relevant organization is necessary.
2. Shall continue to do their works with such efficiency and performance expected of them in accordance with the requirements of the job and qualifications of the employees.
3. Must prioritize the benefits of the company and abstain from any actions and procedures whatsoever which would bring damage to the company, when making decisions relating to their jobs.
4. Are obliged to protect information of which they have gained knowledge by virtue of their jobs but considered prejudicial if disclosed, and hence which should remain confidential.
5. Are liable to comply with the laws and to refrain from any activities that would put the company in a difficult position and damage its reputation.
6. When recruiting staff for their positions or in the course of works executed with direct/indirect third party individuals or organizations in connection with company's business, should exercise care to select persons and entities who have reputation and who will adopt and implement the Group's Code of Ethics.
7. By virtue of their duties, may neither attempt to secure benefits from natural persons and legal entities and nor offer and provide any illegal payments or advantages to any person or organization.



**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

8. Are obliged to prioritize the Group's Code of Ethics at all times both in their relations with the government or customers, and when representing the company at these environments, to avoid approaches though intended to impress counter parties but impairing the image of company.
9. Have a duty to secure customer satisfaction by giving particular importance to quality, promptness, and simplicity, courtesy and respect on the condition that the employee remains honest, reliable and self-respecting in their relations with the customers and business owners, and to treat every person and organization equally.
10. Are liable to comply with the working order and working hours, work starting and closing times and rest breaks at the business place of the company and, without interruption in this regard, to perform service obligations on their part.
11. Are responsible to comply with the working order and working hours of the Group and to dedicate his entire working hours to the Group. They may not pursue an occupation to earn income from other sources and they may not assume managerial or consulting positions in other organizations. With the authorization from CEO, they may serve in administrative bodies of non-profit organizations such as fraternities and foundations and of the chambers. Payments of admission fees and annual subscription fees relating to memberships approved by CEO shall be effected by the employees' company. They are not permitted to serve in governing bodies of the political parties under any circumstances.
12. Unless authorized by CEO, they may not make any statement and convey information to press and broadcasting organizations regarding the company.
13. Have the obligation to protect and ensure the security of currencies, official documents, tools and equipment belonging to the company and not to use them for their personal necessities.
14. Are under obligation to observe their employment conditions as regulated by labor legislation, contract of employment, and these rules qualifying as a supplement to employment contract, and to follow written and verbal instructions given by employer or employer's representatives regarding the work performance and conduct at the workplace, and to adhere to work discipline, occupational health and safety rules.

Due diligence shall be exercised to report to the company's highest level executive those employees acting in contravention to Group's Code of Ethics by documenting such acts to the extent possible or by making an objective assessment thereon and to take relevant precautions in this respect.

In this context, the employees are responsible for reporting and giving information about any changes in their family, marital status and addresses, as well as information concerning their identity, family and relatives, which information are regarded as reference in terms of rights and obligations governed by agreements and by-laws and for giving the documents which support those information. The responsibility to report changes in the personal information entirely belongs to employee. The address for notices is the last address provided by the employee and notices made to such address shall be considered to have been made to that employee.

Furthermore, the employees:

- ❖ In fulfillment of their duties, must make decisions without being under the influence of benefits with regard to themselves or their families and in doing so, they shall prefer company's own benefits over anything.
- ❖ In this context, employee's involvement and activities outside the company should not conflict with responsibilities which employee bears as an individual of Group and should not be contrary to the laws.
- ❖ The employees are obliged not to misappropriate the Group's resources and not to damage the reputation of Group.
- ❖ With regard to the Group; the benefits, disadvantages of employees' involvement and activities taking place outside the company and likely conflicts of interest arising from those involvement and activities must be taken into account by the employees.

### **Social Responsibility**

The Company supports many social, cultural and sports activities, in accordance with the principles of the Eczacıbaşı Group. There are no legal claims on the Company related to environmental pollution. With the understanding that protecting the environment is its most important social responsibility, the Company has written down its environmental policy and communicated it to all of its employees.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

**Relations with Society and Other Companies**

The Company, as a corporation embracing its social responsibility:

- ❖ Ensures, before all else, compliance with legal and ethical rules in its relations with society and other companies, just as it has in all relationships it has established with its stakeholders,
- ❖ Cooperates with the local community and wider parts of the society to take advantage of opportunities that provide mutual benefit,
- ❖ Takes advantage of cooperation opportunities with other establishments within the framework of continuous and mutual development principles.

**Environmental Policy**

The Company, in line with its goal of business excellence, seeks to preserve the environment and contribute systematically to increased understanding of environmental protection through the following objectives and principles:

- ❖ To inform employees, business partners and the local community about environmental issues in order to generate and continually develop environmental awareness,
- ❖ To reduce all forms of pollution, recycle waste and eliminate non-recyclable waste using appropriate techniques, so as to minimize the impact of our activities on the environment,
- ❖ To take special care to protect the natural environment,
- ❖ To support the environmental initiatives of government and public organizations,
- ❖ To monitor continually and strengthen measures aimed at ensuring employee health and safety in the workplace.

In line with these goals and principles, we pledge, in the name of our employees, to fulfil our social responsibilities; improve our performance continuously; improve all those activities that may have a negative impact on the environment; comply with all legislation, regulations and standards aimed at ensuring a sustainable future and protecting natural resources; and set an example with our efforts in these areas.

**Participation in Educational and Training Activities**

The Company assists and provides resources to university students who request help with their school projects and research. The Company makes donations of computers and hardware to various educational and training institutions. Our company provides internship opportunities to students of technical high schools and universities.

**Support of Sports and Recreational Activities**

With the contributions of the Company, the Eczacıbaşı Sports Club has won numerous championships in Turkey and abroad and contributed to the development and promotion of sports in Turkey. Since 1999, financial assistance has been provided to local sports clubs. A volleyball school for girls was established to help them appreciate sports and the culture and ethics of sports under the direction of the Eczacıbaşı Sports Club.

## **SECTION V - BOARD OF DIRECTORS**

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

The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company based on its prudent risk management approach.

The Board of Directors defines the strategic objectives of the Company, determines the human and financial resources that will be required by the Company and checks the performance of management.

The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

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As per the Articles of Association, the company's affairs are conducted and managed by a Board of Directors comprising at least 5 members to be elected among the shareholders by a decision of the General Assembly in accordance with the provisions of the Turkish Commercial Code and Capital Markets Legislation. The members of the Board of Directors are elected so as to ensure that they work efficiently and constructively, take speedy and rational decisions and organize the formation and functioning of the committees.

There are members assigned to execution and not assigned to execution at the Board of Directors. Non-executive Board members does not assume any other administrative duty in the Company except for their Board membership and they do not intervene in the Company's daily work flow and ordinary activities. Our Board of Directors does not have any executive members. The majority of our Board members consist of non-executive members. Ayşe Deniz Özger was the only executive member of the Board of Directors in 2015. Company Manager may be elected as the member of the Board of Directors.

In the Ordinary General Assembly held for 2015, 2 independent non-executive members of the Board of Directors have been elected who are qualified so as to perform their duties at their sole discretion without being influenced in accordance with the Corporate Governance Principles of the Capital Market Board. Independent members of the Board of Directors fully satisfy the "independence criteria" as laid down under. The candidates for independent membership have submitted to the Corporate Governance Committee their independence statements and curriculum vitae and all of the candidates were defined as independent members by the Board of Directors.

The Board of Directors of Company consists of six members. The members of our Board of Directors that will take office until the Ordinary General Assembly Meeting for 2015:

<b>Name- Surname</b>	<b>Position</b>	
F. Bülent Eczacıbaşı (*)	Chairman of Board	Non-Executive
R. Faruk Eczacıbaşı (*)	Vice Chairman of Board of Directors	Non-Executive
M. Sacit Basmacı	Member	Non-Executive
Ayşe Deniz Özger	Member	Executive
Şenol S. Alanyurt	Independent Member	Non-Executive
Akın Dinçsoy	Independent Member	Non-Executive

(\*) Chairman and Vice Chairman of the Board of Directors of our Eczacıbaşı Group also act as the Chief Executive Officer and Deputy Chief Executive Officer.

The Members of the Board of Directors have been granted under the decision of the General Assembly dated 13 April 2015 the authority to undertake transactions as stipulated in Articles 395 and 396<sup>th</sup> of the Turkish Commercial Code. The Board Members may take offices in the companies under the structure of Eczacıbaşı Group; but in principle, they cannot take any office outside the Group.

It is thought that increasing various background information, experience and opinions of the Board of Directors may be of great benefit for the activities of the Company and effective work of the Board of Directors. Our studies to set target ratio fort female board members that are regarded as intermediary in terms of representation of different opinions at the Board of Directors are going on. Currently, Ayşe Deniz Özger is our female member of the Board of Directors in accordance with Corporate Governance Principles.

Curriculum vitae of the members of the Board of Directors were mentioned in the introduction section of the Annual Report.

## **5.2 Board of Directors Operating Principles**

The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner. The Chairman and Vice Chairman are elected among the members of the Board of Directors.

Independent Board of Directors establishes the internal control systems covering also the risk management and information systems and processes that may minimize the impacts of the risks likely to affect the company's stakeholders, including particularly its shareholders, upon taking into account the opinions of the related Board of Directors' committees.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

Support is obtained in terms of internal audit and risk management from Auditing Board comprising of two directors, Internal Audit Department which is affiliated to the Managing Director and also reports to the Audit Committee, Financial Affairs Department, Strategic Planning and Business Development Department with Eczacıbaşı Holding and chartered financial advisor company. The risk analysis for fixed assets is conducted externally while security, emergency and assets at risk position assessments are conducted at the meetings of Board of Directors.

The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year. The official records of the subsidiaries, joint ventures and affiliates which are consolidated are controlled by a Sworn Financial Advisory Company in terms of compliance with the Turkish Commercial Code, Uniform Chart of Accounts and taxation issues on a quarterly basis. The Internal Audit committee of the Eczacıbaşı Holding A.Ş. audits the consolidated companies' activities on the required processes and/or issues. Additionally, the financial statements of the companies prepared for consolidation dated 30 June and 31 December are audited in terms of compliance with the CMB legislation and International Financial Reporting Standards by an independent audit company. The 31 March and 30 September dated financial statements of the consolidated companies are audited by the Internal Audit Department of the Company in line with the principles set by the independent audit company.

The Company has established the scope and subject of its Articles of Association in detail and conducts its activities accordingly. The Company's Vision is defined and its Strategic Objectives and Policies are determined and reviewed every year. Our Board of Directors and management continually monitor the Company's activities and results to ensure that they are in line with its strategic targets. During the Board of Directors' meetings held periodically, the company's targets and the operating results are followed up closely covering the previous periods' performances as well. The current status of the Company is reviewed, and new targets and strategies are developed under the current conditions if and when required.

The chairman of the Board of Directors and the General Manager is not the same person in our Company. The authorities and responsibilities of the Members of the Board of Directors and executives are clearly defined in the Articles of Association. The authorities are further described in our Company's list of authorized signatures.

The Board of Directors plays a leading role in maintaining effective communications between the Company and the shareholders, and eliminating and resolving any disputes which may arise between them and to this effect; it acts in close cooperation with the Investor Relations Department.

While Board Members are authorized by the General Assembly to undertake transactions with the Company within the boundaries of the laws, in line with the general principles of the Eczacıbaşı Group, no member of the Board of Directors makes a transaction with the Company.

The members of the Board of Directors and the managers cannot make any dispositions resulting in a reduction in the company's assets in order to damage the stakeholders.

**Form of Meetings of the Board of Directors**

As specified in our Company's Articles of Association, the Board of Directors convenes as required by the affairs of the Company. The agenda of the Board of Directors meetings is determined by the communication of the issues, which are clearly made mandatory for the Board of Directors to decide upon under the Articles of Association, to the Senior Management and Board of Directors of the Company by the relevant departments. Our Board of Directors made 23 meetings in total in the year 2015. The meetings have been held by participation of all members in most of the cases. The notification of and communication with the Board Members is handled by the Chief Financial Officer. The meetings are held at the head office of the Company and the call for the meetings is made via telephone and / or e-mail. Important Board decisions are publicly disclosed via the PDP and published on the Internet website in Turkish and English languages.

Each member of the Board of Directors has one voting right. The members of the Board of Directors does not have a privileged voting or a veto right. The decisions taken in the Board meetings were taken by the unanimity of the attendants and there were no Board Members dissenting to the decisions taken. Since there were no dissent votes or statements of different opinions in the Board meetings held in 2015, no public disclosures to that end have been made.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

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In the Board meetings, the items on the agenda are clearly discussed in all aspects. The Chairman of the Board of Directors endeavors utmost efforts in order to ensure active participation of non-executive members in the meetings of the Board of Directors.

“Managers Liability Insurance” exists for the members of the Board and senior management members of our company.

### **5.3 Number, Structure and Independence of Board of Directors Committees**

In our Company, there are committees established to ensure that the duties and responsibilities of the Board of Directors are fulfilled in a healthy manner and such committees function according to the working principles. Decisions adopted as a result of activities independently carried out by our committees are submitted to the Board of Directors and final decision is adopted by the Board of Directors. The members taking office in more than one committee ensures the communication between the committees in related matters and increases the cooperation possibilities. The Board of Directors is of the opinion that the benefits expected of the committees have been obtained.

Duties, working principles and names of the members of the committees are determined by the Board of Directors and publicly disclosed at the Company’s website.

All members of the Audit Committee and the chairpersons of other committees are selected among the Independent Board Members. CEO and managing director may not take part in the committees.

Any resources and support that are necessary for the Committees to perform their respective tasks are provided by the Board of Directors. Committees may invite and take the opinions of the executive who may be deemed necessary.

Committees benefit from the opinions of the independent experts for the matters needed in relation to their activities, and cost of such consulting services are borne by the Company.

Committees document their activities in writing and keep such records. Committees hold meetings as frequently as required for their activities and as specified in their working principles. They submit the report containing information about their activities and meeting results to the Board of Directors.

#### **Audit Committee**

The Audit Committee that has been established by virtue of the decision of the Board of Directors dated 6 May 2003 for the first time conducts its activities as stipulated in the Capital Market Laws and the CMB Corporate Governance Principles. All members of the Audit Committee are selected among the Independent Board Members. At the meeting of the Board of Directors dated 14 April 2015, it has been decided that the committee has 2 members and Şenol S. Alanyurt be assigned as the chairman and Akin Dinçsoy as the member thereof. The working principles of the Committee have been published in the website of the Company, and it convenes four times a year. Moreover, the committee provides the Board of Directors with its written opinion on the election of the independent auditor and on the compliance of the annual and interim financial statements to be publicly disclosed with the accounting principles of the company and accuracy and correctness of such financial statements with the account taken of the assessments made by the officers and independent auditors of the company. The Audit Committee held 5 meetings concerning their activities in 2015.

#### **Corporate Governance Committee**

This committee has been established by virtue of the decision of the Board of Directors dated 31 May 2012 in order to monitor the compliance of the Company with the corporate governance principles, to carry out improving activities in that respect and to make proposals to the Board of Directors. It has been decided at the Board of Directors meeting dated 14 April 2015 that the Corporate Governance Committee be composed of three members and Akin Dinçsoy, an Independent Board Member, be assigned as the Chairman and Mustafa Sacit Basmacı (non-executive member) and Gülnur Günbey Kartal (Manager of Investor Relations Department) as the members. In the same decision, since no Nomination Committee and Wage Committee have been established due to the structure of

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

---

the Board of Directors, it has been decided that Corporate Governance Committee will also assume the duties of such committees.

The Corporate Governance Committee determines whether or not the corporate governance principles are duly implemented, if not the reasons therefor and conflicts of interests arising from the failure to implement such principles as required, makes recommendations to the Board of Directors in an effort to improve the corporate governance practices and it is overseeing the activities of Investor Relations Department.

The Board of Directors of our organization appointed Gülnur Günbey Kartal with the aim of fulfilling obligations that may arise under the regulations of the capital markets in accordance with the criteria specified in article 8 of the CMB's Communiqué No. IV/41 on Principles to be observed by Joint Stock Companies Subject to Capital Market Law that was enforced upon its publication in the Official Gazette no. 26821 dated 19 March 2008 and appointed her as the member of the Committee at the meeting held on 14 April 2015 pursuant to article 11 of the Corporate Governance Communiqué.

The working principles of the Committee have been published on the website of the company and Corporate Governance Committee held 3 meetings concerning its activities in 2015.

**Risk Committee**

The risk item included among the duties and responsibilities of the Corporate Governance Committee has been removed from the duties and responsibilities of that Committee in accordance with Communiqué Serial No. IV/63 published in the Official Gazette No. 28567 of 22 February 2013 and the Risk Committee is formed to carry out such duties by the Board of Directors at its meeting dated 17 May 2013. At the Board of Directors meeting held on 14 April 2015, it was resolved that the committee should consist of 2 members and further resolved to appoint Akın Dinçsoy (independent member) as the Head of the Committee and Ayşe Deniz Özger (Executive member) as the member. Working principles of the committee was announced at the web site of the company.

In order to ensure compliance with Corporate Governance regulations of the Capital Markets Board and Article 378 of the Turkish Commercial Code No. 6102, the Risk Committee “makes recommendations and suggestions to the Board of Directors on the early identification of any and all risks that may threaten the existence, development and continuance of the Company including strategic, operational, financial, legal and other risks, evaluation and calculation of the impacts and possibilities thereof; on the managing of these risks in line with the corporate profile of the Company on taking risks, on the reporting of these and implementing the necessary measures on the risks that are identified, ensuring that these are taken into consideration by the decisive mechanisms and accordingly, forming efficient internal control systems and integration thereof.” The duties and working principles of the Risk Committee are have been determined in accordance with the regulations, provisions and principles laid down in the Capital Markets Legislation, the Articles of Association of the Company, the Turkish Commercial Code and the “Corporate Management Principles” of the Capital Markets Board. Article 378 of the Turkish Commercial Code requires the Committee to evaluate the then-current period in respect of the risks that may impact the existence and continuity of the Company and point out to the threats, if any and show solutions in a report that will be submitted every two months and within this framework, the Committee convened 7 times in 2015.

**5.4 Risk Management and Internal Control Mechanism**

At Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar, the risk management is handled with an integral perspective. Strategic, financial and all other aspects believed to have posed risks for the Company to attain its short and long term targets are assessed at any level of the organization starting from the Board of Directors.

The risk management cannot be considered separate from the management of business processes and for this reason; the practices related to the risk management are realized within the Company as much as possible and not assigned to outside sources and consultants. Therefore, one of the important tasks of the process holders is the management of relevant risks.

The Board of Directors establishes the internal control systems covering also the risk management and information systems and processes that may minimize the impacts of the risks likely to affect the company's stakeholders, including particularly its shareholders, upon taking into account the opinions of the related Board of Directors' committees.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES  
ISSUED PURSUANT TO COMMUNIQUE II - 17.1**

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The primary risks that our company is exposed to are monitored under two main titles as financial risks (currency, interest, liquidity and credit) and non-financial risks (strategic and operational), and the Board of Directors is notified of such risks on a regular basis. Detailed information about the risk management can be found in the relevant section of the annual report.

## **5.5 Company Strategic Goals**

The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company based on its prudent risk management approach.

The Board of Directors defines the strategic objectives of the Company, determines the human and financial resources that will be required by the Company and monitors the performance of management.

The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established. During the meetings of the members of the Board of Directors and the meetings of senior offices which take place periodically, the Company's goals and the operations performed are monitored in a manner to cover the performances of the prior period as well. The current status of the Company is reviewed, and new targets and strategies are developed under the current conditions if and when required.

## **5.6 Financial Rights**

The Board of Directors is responsible for achievement of the operational and financial performance objectives determined by the Company and disclosed to the public. The "Remuneration Policy for Members of the Board of Directors and Senior Managers" of our Company, which contains any rights, interests and remuneration provided to the members of the Board of Directors and the senior managers and the criteria for determining them and the principles of remuneration, was made available to the shareholders for examination by "Information Document" published three weeks in advance of our Ordinary General Assembly dated 13 April 2015 on our website for the review by our shareholders.

As per the Articles of Association of our Company, the rights to be granted to the Members of the Board of Directors are determined at the General Assembly meeting. Executive members, Chairman and Vice Chairman of the Board may be remunerated in return for their services depending on their performances and seniority as they are the employees of the company at the same time. There is no share option or performance-based remuneration system used for remuneration of the Independent Board members. Independent members of the Board of Directors are paid a wage in accordance with the decisions of the General Assembly.

There is no transaction causing conflict of interest such as granting loans to the members of the Board of Directors or Top-Level Managers by the Company through third parties or as personal loan or granting guarantee in their favor.

The Company explains in the footnotes to the financial statements the overall benefits provided for the Top-Level Managers in line with fits general practices.