



## **TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

### **1- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES**

Corporate governance principles compliance report of Türk Tuborg Bira ve Malt Sanayii A.Ş. (“Türk Tuborg” or the “Company”) for 2017 has been prepared in conformity with the template announced by Capital Markets Board dated 01.02.2013 numbered 2013/4 based on the decision by Capital Markets Board dated 27.01.2014 numbered 2/35, as indicated at the Board announcement numbered 2014/2.

There is no mandatory principle that is not obeyed by the Company. On the other hand, as being a Company of Third Category, the Company follows the exemption mentioned in article 6.1 of Corporate Governance Communique (the “Communique”) and accordingly the number of independent board members is executed as two. In addition, in accordance with article 5.5 of the Communique, third paragraph of the principle numbered 4.3.7 and second paragraph of the principle numbered 4.3.8 were not executed.

Regarding the principles that are not mandatory, the policy for donations mentioned in the principle numbered 1.3.10 was not prepared yet as the Company does not provide donations regularly. The principle numbered 1.3.11 was executed in accordance the article 5.1 of “Internal Directive Regarding Working Principles and Procedures of General Assembly”. The principle numbered 1.5.2 was executed in compliance with the definition of minority rights provided at TCC. Indemnity policy mentioned at the principle numbered 3.1.2 was not yet prepared. The works on the principles numbered 3.5.1 and 4.2.8 are still continued and are not yet executed. There are two female board members at the board of directors and the ratio and the policy mentioned at the principle numbered 4.3.9 were not executed. Due to the current number of board of directors, the principle numbered 4.5.5 was not applied. In addition, due to the confidentiality concerns, the principle numbered 4.6.5 was not executed.

### **PART I - SHAREHOLDERS**

#### **2. Investor Relations Department:**

Investor Relations Department was established on 18 March 2009 and is led by Evren Kılıncınar, currently performing as Financial Affairs Manager and member of Corporate Governance Committee, and he has Capital Market Activities Advanced Level Certification and Corporate Governance Rating Specialist Certification. Additionally, Ali İhsan Barut has been working at Investor Relations Department while having Capital Market Activities Advanced Level Certification and Corporate Governance Rating Specialist Certification.

The executive at investor relations department reports to the finance vice president (CFO).

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Duties of the Department:

- \* To ensure that the correspondence, related documents and records between the company and investors are maintained in a reliable, secure, and up-to-date manner,
- \* To respond to written inquiries raised by the shareholders,
- \* To prepare all documents related to general assembly meetings for the review of shareholders and ensure that General Assembly meetings are conducted in accordance with the requirements of current laws and regulations and of the Company's articles of incorporation and other internal policies,
- \* To supervise that all responsibilities arised from capital market regulation are met including corporate governance and public disclosure issues.

The report on the activities of investor relations department is to be submitted to Board of Directors in accordance with the transition article of the Communique.

At certain times during the period, shareholders request information by telephone and any necessary responses are verbally provided. There were no written requests during the year.



### **3. Shareholders' exercise of their right to obtain information:**

The main principle in the shareholders' exercise of their right to obtain information and evaluation is that there shall be no discrimination between the shareholders. Information about the applications made to obtain information during the year is given in item 2 above. Such information requests are usually related with date of the General Assembly meeting, capital increases and free stocks, profit distribution, etc. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made public. Developments that might affect the exercise of shareholder rights dictated by the TCC and by CMB regulations were publicly disclosed through public announcements, newspaper advertisements and the Company's website of [www.turktuborg.com.tr](http://www.turktuborg.com.tr). A request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation. No request for the appointment of a special auditor was received during the year.

### **4. General Assembly meetings:**

The ordinary General Assembly meeting was held on 23 May 2017. The meeting quorum is subject to the articles of TCC and CMB. The meeting quorum were 97,9% in the latest ordinary General Assembly meeting. Stakeholders and media did not attend such meeting. Call for the general assembly meeting was made by the board of directors. Authorised persons from the independent auditors are also invited to the meetings in writing as well as shareholders. The call for the general assembly meeting was announced at KAP (Public Disclosure Platform), corporate website and the Turkish Commercial Registry Gazette, 21 days in advance. The financial statements, annual report and other related documents are made available to the shareholders in the headquarters of the Company prior to the general assembly meeting. Any issues in the agenda were communicated in an impartial and detailed manner by a clear and understandable method and the shareholders were provided with equal opportunity to give their opinion while creating a healthy environment of discussion in the general assembly meetings and questions were properly answered. Any proposal for an amendment to the agenda of general assembly meeting was not provided by shareholders. Several conveniences are provided so that the shareholders are transported to the place where the general assembly meeting shall be held as well as the effective use of aforementioned communication channels in order to facilitate the attendance of the shareholder to the general assembly meeting. The minutes of general assembly meeting are at all times accessible to the shareholders at the headquarters of the Company, in our web site at [www.turktuborg.com.tr](http://www.turktuborg.com.tr) and at KAP. Shareholders were informed that there were no donations provided in the current period.

### **5. Voting Rights and Minority Rights:**

According to the articles of incorporation of the Company, the shareholders or their proxies who attend the ordinary and extraordinary general meetings of shareholders are entitled to one vote for each share. There is no privilege as to votes. There are no other companies in which the Company has a cross-ownership. The minority shareholders constitute 4,31% of total shares while they are represented at the management. The definition of minority shares at TCC was accepted and therefore it is not defined by the article of association at a lower rate than one-twentieth of total shares.

### **6. Profit Distribution Rights:**

There is no privilege as to dividends. The policy of the Company concerning dividend distribution is to distribute the profit considering its medium and long term strategies, financial situation, the investments and financial plans, other fund requirements, market conditions, economical environment, Capital Market legislations and Turkish Commercial Code. In the event that distributable profit is available in accordance with relevant regulation, the dividend distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than 20% of the distributable profit within the frame of the provisions of Capital Market legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms. A consistent policy shall be followed regarding the benefits of the shareholders' versus the Company's benefits in the application of Dividend Distribution Policy. The date of distribution shall be decided by General Assembly upon proposal of the Board. Dividend distribution payments shall be completed within legal terms. For other methods of dividend distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.

When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons for not distributing profit and how the undistributed profits would be allocated.



The articles of association of the company contains a provision concerning the dividend advance. Exercising the power to pay advances is evaluated within the framework of the current legislation and economic environment by the board of directors. The profit distribution methods and processes are identified by the provisions of the Turkish Commercial Code, Capital Market regulations and the articles of association of the Company.

In line with the profit distribution policy, the resolution is made public through announcement immediately after such a resolution is made in each year by the board of directors. The dividend distribution policy was communicated to the shareholders in General Assembly meeting and mentioned in the annual report. In addition, it has been made public via the corporate website.

#### **7. Transfer of Shares:**

The articles of incorporation of the Company do not contain any provisions for restriction of the transfer of shares.

### **PART II - PUBLIC DISCLOSURE AND TRANSPARENCY**

#### **8. Disclosure Policy:**

The disclosure policy, which was communicated to shareholders in ordinary General Assembly on 28 June 2012, is presented in the Company's corporate website. The investor relations department is responsible for the implementation of the disclosure policy.

#### **9. The Corporate Website and its Contents:**

The corporate website of the Company is [www.turktuborg.com.tr](http://www.turktuborg.com.tr). The content mentioned in principle numbered 2.1 of the Communique was provided in the website in both English and Turkish versions.

#### **10. Annual Report:**

All required information listed in article 2.2 of Corporate Governance Principles has been provided in the annual report for year ending on 31 December 2017.

### **PART III - STAKEHOLDERS**

#### **11. Information to Stakeholders:**

Stakeholders are kept informed via the related meetings held while considering the issues of confidentiality. The Company's corporate governance structure allows all stakeholders, including employees to express their concerns regarding illegal or unethical practices to Company management whereas a separate mechanism is not established for a direct contact to Corporate Governance Committee.

#### **12. Stakeholders' Participation in Management:**

Supportive mechanisms and models have been created to encourage stakeholder and especially employee participation in the Company's management without interfering with Company operations. Participation of stakeholders in the management is supported by instruments such as "proposals" and "surveys" without interfering with Company operations. The Company involves the workers union in decision making processes and obtains their approval regarding operational changes in work conditions, the environment, and employee rights. Dealers in close contact with the Company through "Dealers Meetings" are also encouraged to participate in Company policies.

#### **13. Human Resources Policy:**

Our Human Resources policy in Turk Tuborg is to keep the organisational structure dynamic in accordance with the strategic plans and goals and ensure to be prepared for any changes. Our company has adopted as its objective to gradually make firmer its position as "being the most preferred Company" by qualified people. The Human Resources practices based on competence in our company ensure to create a professional working environment for our employees and career improvement opportunities and to provide our company with such persons with a higher level of education, who are open to innovations and changes, have enterprising abilities, are energetic, aspire to improve themselves and their job, adopt and carry on the assets of the Company.



Our Human Resources policy is based upon the equal opportunity principle which removes any discrimination of races, languages, religions, gender and ages. A performance management system is applied in order to reward the employees by their contributions and efforts and attention is paid to provide equal opportunity in employment and promotions.

In-house and outsourced training programmes are applied within the framework of a plan created at each and every level in order to ensure the improvement of the employees. In addition, job descriptions and key performance indicators are communicated to employees.

Provision of safe working environment and conditions is an issue on which our company places much importance. Any and all legal measures are taken in order to prevent any occupational risks, protect health and safety and do away with any factors of risk and accident under the labour safety and health regulation. Improvement efforts are continually maintained through regular meetings.

A representative has been appointed in order to implement the relationships with the employees in our Company. The role of a representative is implemented by Ahmet Karapınarlı and Bülent Güven, who are both production employees, in the collective labour contract period of 2017-2019. The powers and responsibilities of the representative are described in the collective labour contract.

Türk Tuborg management and the Human Resources department have had no complaints from the employees about discrimination up to the date.

#### **14. Codes of Conduct and Social responsibility:**

Basic competences which have been adopted by our Company that considers it a principle to comply with laws and ethical rules and which have been created for the company employees are effective in the performance evaluations of the employees.

Basic competencies are:

- Quality Conscious
- Openness to Change and Development
- Collaboration and Harmony

The issues as listed above have been made public by including them into the contents of the annual reports.

Türk Tuborg considers environmental management as an integral part of its business in accordance with its social responsibilities and aims the protection of the environment together with all its employees.

In order to achieve such goal, Türk Tuborg intends to:

- To use natural resources and raw materials in the most efficient way,
- To minimize the environmental effect resulted from our processes, and to save the environment by preventing pollution,
- To obey the legal requirements related to environmental aspects,
- To encourage suppliers and sub-contractors about their activities to be more sensitive for environmental issues,
- To measure, monitor, review and implement the performance of environmental management system which is set in accordance with the requirements of ISO 14001.

Our employees behave with this attention and awareness at every stage of our actions, where they are responsible for.

Türk Tuborg, which is a member of Cevko (Environmental Protection and Packaging Waste Recovery and Recycling Trust), fulfills its its legal requirements for collection of recyclable packaging wastes through its cooperation with Cevko.

The code of conduct was not published on the corporate website.



## **PART IV - BOARD OF DIRECTORS**

### **15. Structure and Formation of the Board of Directors:**

The Board of Directors exercises its powers and responsibilities and represents the Company under the legislation, articles of incorporation, company regulations and policies in accordance with the authorisation as granted by the shareholders in the General Assembly meeting.

The members of the Board of Directors and their short resumes are as follows:

#### **Roni Kobrovsky, Chairman of the Board of Directors**

Graduated from industrial engineering department and holds a master's degree in business administration. Joined CBC group, the main shareholder of IBBL, in 1976 and served as production engineer, head engineer and vice general manager until 1995, respectively. Has served as Chief Executive Officer at CBC group since 2002 after serving as top level manager at foreign affiliates of CBC group. As being a non-executive board member, his term of office is 3 years starting from the General Assembly meeting on 21 April 2015.

#### **Joav Asher Nachshon, Vice Chairman of the Board of Directors**

Graduated from economics and accounting department and holds a master's degree in business administration. Joined CBC group in 1998 as group CFO after serving as responsible partner at an auditing company (Deloitte). Has served as CBC group vice chairman and chief finance officer since 2002. As being a non-executive board member, his term of office is 3 years starting from the General Assembly meeting on 21 April 2015.

#### **Shlomo Graziani, Member of the Board of Directors**

Graduated from business administration department and holds a master's degree in food technology department. Joined CBC group in 1992 and served as project manager, foreign affiliate's general manager and business development vice chairman, respectively. Has served as CEO of international operations at CBC group since 2008. As being a non-executive board member, his term of office is 3 years starting from the General Assembly meeting on 21 April 2015.

#### **Benjamin Haim Rotenberg, Member of the Board of Directors**

Graduated from faculty of law and holds a master's degree in Law. Serves as legal counsel for many of domestic and foreign companies of CBC group. As being a non-executive board member, his term of office is 3 years starting from the General Assembly meeting on 21 April 2015.

#### **Damla Tolga Birol, Member of the Board of Directors**

Damla Tolga Birol who graduated from Boğaziçi University Business Administration Department in 1986 completed her MBA at Indiana University in 1989. She has served as marketing consultant in many companies after working as manager at Procter & Gamble and Emsan Holding respectively. Damla Tolga Birol who joined Turk Tuborg in March 2003 as Marketing VP was promoted as Sales and Marketing VP in March 2005. She has been serving as CEO since January 2007 after serving as CEO Deputy and Sales Marketing VP between October 2005 and December 2006. As being an executive board member, her term of office is 3 years starting from the General Assembly meeting on 21 April 2015.

#### **Lori-Eli Hananel, Independent Member of the Board of Directors**

Graduated from economics department. Started his career as specialist in a foreign bank supervision body and then worked in sectors of construction and real estate as CFO, senior economist, assistant to general manager and general manager. Joined BankPozitif Kredi ve Kalkınma Bankası A.Ş. in 2007 as executive officer and advisor to board of directors. Has served as head of internal control department since 2011. As being an independent board member, his term of office is 3 years starting from the General Assembly meeting on 21 April 2015.



### **Aynur Sarıbay, Independent Member of the Board of Directors**

Graduated from Boğaziçi University Business Administration Department. Started her career as associate in a private bank. Worked for a while as research assistant at City University of New York and then worked in the sectors of finance, logistics, fast food in New York. Serves as English tutor for leading companies in Turkey and at the same time works as coordinator at Final Educational Institution, while being shareholder and board member of a mining company operating in South America. As being an independent board member, her term of office is 3 years starting from the General Assembly meeting on 21 April 2015.

At the meeting of Corporate Governance Committee dated 12 March 2015, 2 nominees for independent board members were proposed and their declarations of independence were submitted to Board of Directors on 6 March 2015. There have not any instance that impairs their independence for the year ended 31 December 2017.

Performances of the activities as stipulated in the articles 334 and 335 of the TCC by the members of the Board of Directors are subject to the approval by the general assembly. With the exception of those activities, there are no other limitations imposed on what board members may do.

There are two female board members at the board of directors and there is no determined ratio for females in the board and in the related policy.

### **16. Working principles of Board of Directors:**

The working principles of the Board of Directors are regulated in the articles of incorporation of the Company as follows:

“Article 9: Board of Directors regularly convenes on a quarterly basis no less than four times a year. Chairman of the Board of Directors and the Vice-Chairman thereof prepare the meeting schedule of the forthcoming year with the assistance of the Director General. It is required to send the agenda of the meeting to the members no later than 5 days prior to the meeting. Any of the members of the Board of Directors may insert an item to the agenda provided that he/she notifies the Director General or the Chairman of the Board of Directors no later than three days prior to the meeting. Any reports and other documentation as discussed in the meeting of the Board of Directors must be sent along with the agenda and amended agenda, if any.

Meetings of the Board of Directors are held in English. Official minutes of meeting and resolutions are kept in Turkish. Translation into English of the minutes of meeting and resolutions shall also be kept in the book of resolutions.

Pursuant to paragraph II of the article 330 of the Turkish Commercial Code, the resolutions of the Board of Directors on any and all matters may be made without convening a meeting upon communicating a written proposal of any member to the other members unless any of the members requests a discussion.”

Details of the working principles and activity period works of the Board of Directors are as follows:

Agenda of the meeting of the Board of Directors is determined by the Chairman of the Board of Directors through negotiations with the other members of the Board of Directors and the Chief Executive Officer (CEO) and sent to all members no later than five days prior to the meeting. The Board of Directors met 9 times during the year. The Board of Directors does not have a secretariat. The meeting is usually attended by all the members. There was no issue to which any objection was raised in 2017. Questions asked during the meeting are not recorded in minutes. In accordance with the Company’s article of association, the members of the Board of Directors are not granted the right of weighted vote and/or veto. There is no insurance policy against the risk of company loss that may be caused by the faulty actions of board members during the execution of their duties and the work on such insurance policy is still continued.

### **17. Number, Structure and Independence of the Committees Established by the Board of Directors:**

The followings are the committees established by the Board of Directors:

#### *1. Audit Committee:*

Head: Lori-Eli Hananel (Independent Board Member)  
Member: Aynur Sarıbay (Independent Board Member)



### 2. Corporate Governance Committee:

Head: Lori-Eli Hananel (Independent Board Member)  
Member: Joav Asher Nachshon (Non-executive Board Member)  
Member: Shlomo Graziani (Non-executive Board Member)  
Member: Evren Kılınçpınar (Non-Board Member Specialist)

### 3. Early Determination of Risk Committee:

Head: Aynur Sarıbay (Independent Board Member)  
Member: Joav Asher Nachshon (Non-executive Board Member)  
Member: Shlomo Graziani (Non-executive Board Member)

Audit Committee meets at least 4 times a year and Early Determination of Risk Committee meets at least 6 times a year, whereas there is no specific provision for the meeting frequency of Corporate Governance Committee. Since the number of independent board members and non-executive board members is limited, all board members have been working in more than one committee.

## 18. Risk Management and Internal Control Mechanism:

Determination, evaluation and estimation of all kinds of strategic, financial, operational, etc., risks that may influence the Company and establishment and integration of effective internal control systems in this respect have been executed by Audit Committee, and accordingly advised and recommended to the Board of Directors. The Audit Committee makes use of the findings of finance department and independent auditors and tax auditors while fulfilling its function.

## 19. Company's Strategic Goals:

Türk Tuborg's essential mission is to create a partnership value of a permanent nature. The Company aspires it to give top-priority objective to identify its strategies in accordance with the requirements and expectations of its customers. As the product quality bears a great importance in terms of customer satisfaction, it shall occupy the topmost place in the market at all times. The Company shall be sensitive to the environmental concerns due to its social responsibility. In this respect, accomplishment degree of Company targets, operations and past performance are periodically reviewed by Board of Directors.

## 20. Remunerations to the Board of Directors:

The remunerations to the members of the Board of Directors are regulated in articles of incorporation of the Company as follows:

“Article 12: The members of the Board of Directors are paid remuneration for each meeting day or on monthly basis other than the amount to be allocated to them from the net profit pursuant to the articles of incorporation. The amount of such remuneration is fixed by the resolution of the General Assembly meeting.”

The remuneration for the members of the Board of Directors constitutes an item of the agenda in the ordinary General Assembly meetings held every year. It was resolved in the General Assembly meeting held in 2017 that gross 10.000 USD per year to be paid to independent board members whereas no remuneration to be paid to the other board members.

Key management includes general manager, vice presidents and directors. The compensation paid or payable to key management for employee service is shown below:

	<b>1 January- 31 December 2017</b>
Short-term employee benefits	12.756
Post-employment benefits	-
Termination benefits	-
Share-based payments	-
Other	436
	<hr/> <b>13.192</b>



# **TÜRK TUBORG**

Compensation Policy, which was approved by the Board of Directors and then communicated to General Assembly on 28 June 2012, was made public via corporate website.

The Company did not lend any amounts to any members of the Board of Directors and key management during the period nor made loans available to them nor provided any guarantees in their favor.

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