

# **TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**

## **COMPLIANCE REPORT OF CORPORATE GOVERNANCE PRINCIPLE**

### **SECTION I - DECLARATION OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE**

Within the framework of the corporate governance principles stated in the Capital Markets Board's ("CMB") Communiqué Series II 17.1 regarding the Corporate Governance Communiqué which entered into force upon publication in Official Gazette No. 28871 dated 3 January 2014, this declaration reflects the following responsibilities of Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi (the "Company") regarding determination of the duties, authorities, and responsibilities of the board of directors, subordinate committees, and managers; regarding shareholders, public disclosure, and transparency; and regarding regulation of relations with stakeholders.

Şişecam Group is an industrial group operating internationally in the flat glass, glassware, glass package, and chemicals segments. Şişecam currently operates in 13 countries, sells approximately half of its production to overseas buyers, and exports its products to 150 countries throughout the world. The Group is in the leading position in the Turkish market in all segments of glass production including flat glass, glassware, glass package, and fiberglass, and its operations cover soda and chrome composites.

Founded in 1935 by Türkiye Is Bankası A.Ş. upon a directive from Mustafa Kemal Atatürk, Şişecam is one of the most established industrial organizations in Turkey, with 82 years of corporate history. The Group is considered one of the most prominent manufacturers in the world in its field due to its scale, degree of specialization, and competitive activities.

Şişecam Group, which aims to become one of the top three companies in its sector, utilizes cutting-edge technology and innovations, continuously develops its products and production processes with R&D investments under its value creation strategy, and continuously expands its international production facilities, value-added products, and market share.

Combining its extensive experience with its ambitious vision Şişecam stays on course to become a global brand, shape its future with products and services that add value for stakeholders and shareholders, enrich, and make life easier, and which is people and environment-friendly.

As a global company in its business segment Şişecam has established management based on principles of equality, transparency, accountability, and responsibility. Its specialization and position among Europe's and the world's most prominent manufacturers, along with its compatible activities, are the clearest proof of the insight of its management.

Modern principles of management and industry, a high level of industrialization, and focus on the market and R&D are the key drivers of Şişecam's success and are the basic foundations of the Şişecam of the future. Şişecam Group aims to reinforce its vision of being the leading manufacturer in surrounding countries which is based on these principles by adopting corporate governance principles. Our company takes the utmost care to comply with capital markets legislation and Capital Markets Board (CMB) regulations in corporate governance implementations, and the principles, which were included in the appendix of the Corporate Governance Communiqué in the activity period that ended 31 December 2016, and which are not yet completely harmonized, have not caused any conflicts of interest among the stakeholders.

The explanations regarding corporate governance principles in the appendix to the Communiqué on Principles Regarding the Specification and Application of Corporate Governance that are non-compulsory for the Company are stated in the related sections of the report for the year that ended 31 December 2016.

- 1) The Company has announced publicly the dividend payment dates and capital increase history of last five years in Turkish and English on the web site.
- 2) Our parent company, Türkiye İş Bankası A.Ş., arranged an insurance policy with Anadolu Anonim Türk Sigorta Şirketi within the scope of “Executive liability insurance” for the failures that may be caused during the course of business by members of the board of directors in all group entities including the parent company’s legal entity; our company and our company’s subsidiaries, joint ventures, and affiliates; and the losses to occur thereof.
- 3) SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. ("SAHA"), which is officially authorised to carry out rating processes in Turkey in line with Capital Markets Board Corporate Governance Principles, completed the Periodic Revision Report on Corporate Governance Rating. The corporate governance rating score of 93.53 (9.35 out of 10) that we declared on 18 December 2015 was revised upward to 94.41 (9.44 out of 10) on 16 December 2016 after continuous improvement efforts our company made in the field regarding application of corporate governance principles. In its rating work SAHA used the new methodology based on Corporate Governance Principles published by the CMB in January 2014.

Main revised headings are as follows;

<b>Main headings</b>	<b>Weighted</b>	<b>Notes</b>
Shareholders	% 25	95,36
Public disclosure and transparency	% 25	96,98
Stakeholders	% 15	96,70
Board of directors	% 35	90,92
<b>Weighted average</b>		<b>94,41</b>

The company is placed in the first group according to the World Corporate Governance Index (WCGI) which was published by SAHA on 1 July 2016.

- 4) In order to provide more accurate and effective information to company shareholders and stakeholders, the content of the official website has been expanded and investor presentations, the investor calendar, frequently asked questions, and related captions have been provided on the official website and updated regularly.
- 5) All related party transactions along with the nature and content of the transactions for 2016 were submitted to the board of directors. There were no significant or unusual related party transactions which were required to be submitted to the general assembly for approval in 2016 which were not approved by an independent board member.

Within the context of these implementations the Corporate Governance Principles Compliance Report for 2016 has been prepared in accordance with Decision No: 2/35 published in weekly newsletter No: 2014/2 on 27 January 2014 by the CMB, and has been introduced in sections as follows.

## SECTION II. STAKEHOLDERS

### 2.1. Investor Relations Department

In order to comply with the rules regarding the responsibilities arising from Capital Markets Board regulations set by legislation, and in order to operate efficiently and effectively, a centralized structure has been implemented.

All requirements and responsibilities of Şişecam and other public companies, in accordance with the Turkish Commercial Code and capital markets board legislation, have been fulfilled with the supervision, orientation, and coordination of the “Investor Relations Department”, which falls within the area of responsibility of Financial Affairs Group Director Mustafa Görkem Elverici in line with the corporate governance principles of the CMB. In this context, in accordance with CMB II- 17.1 No. Corporate Governance Communiqué of Article 11, Hande Özbörcek Kayaer, Department Manager, who holds a Capital Markets Activities Level 3 License and Corporate Governance with Rating License, and Başak Öge, Corporate Finance Investor Relations Manager, were appointed as responsible parties, and this mandate was disclosed to the public through the PDP on 11 April 2016.

The investor relations department plays an active role in protection of shareholding rights and in facilitating the use of those rights, particularly the right to a debriefing and the right to analyze. The main activities conducted within this scope are summarized as follows:

- a. Ensuring that the records relating to the written correspondence with investors and other information are kept in a correct, safe, and updated manner.
- b. Responding to the queries of shareholders requesting written information on the company.
- c. Ensuring the general assembly meeting is held in compliance with the applicable legislation, articles of association, and other company by-laws.
- d. Preparing the documents that might be used by shareholders in the general assembly meeting.
- e. Supervising the fulfilment of the obligations arising from capital markets legislation, including all corporate governance and public disclosure matters.

The investor relations department submits a report to the board of directors at least once a year on the activities it has conducted, including the assessments of investors and brokerage companies throughout the year.

Meetings and conference calls were held with domestic and foreign brokerage and asset management companies. One-on-one interviews were held with analysts. Investors can request information by contacting the investor relations department directly by sending an e-mail or filling out the information request form open to public on the Company’s website. Records of written and oral information requests related to the requests are held by the Department of Investor Relations.

Information and disclosures were updated regularly on the Company website, with the aim of informing the public and shareholders.

Communications providing detailed information to investors regarding the activities of the Company in 2016 are summarized below.

- In 2016 we attended conferences regarding shares and bond investors organized by Bank of America Merrill Lynch (Miami), Citi (Frankfurt&Paris), Bank of America Merrill Lynch (London&New York), Ak Investment (Istanbul), BNP Paribas (London), HSBC (LONDON), Goldman Sachs (London), Is Investment (America, Europe), Raiffesen (London). We interviewed around 300 investors in total, including those interviewed at investor meetings held in our company headquarters.

- In March and August 2016 teleconferences were held via webcast in which 2015 year end and 2016 semi-annual results were evaluated in cooperation with investors and analysts and transcripts of our teleconferences were published in Turkish and English on our website.

In addition to the responsible party from the investor relations department, Treasury and Finance Director Barış Gökalp, of Financial Control and Reporting Director Gökhan Güralp, and Financial Control and Statutory Reporting Manager Murat Yalçın can be charged with tasks relating to investor relations if it is deemed necessary.

## **2.2. Shareholders' Use of Information Rights**

Shareholders are not discriminated against when making use of their right to obtain and evaluate information. Each shareholder has the right to obtain and evaluate information. There are no regulations under the articles of association that limit the right to receive information.

In 2016, written and verbal information requests from investors and shareholders were responded to in accordance with capital markets legislation, CMB regulations, and resolutions, and related information and documents, except for confidential information or trade secrets were, conveyed to investors and shareholders as required by the equality principles.

Within the framework of the laws and regulations in effect, the Company's corporate web site is effectively utilized to ensure that the information rights of shareholders are expanded and may be used efficiently. Within this scope, the Company's corporate web site, [www.sisecam.com.tr](http://www.sisecam.com.tr), contains the information for shareholders that is suggested by the corporate governance principles and the regulatory authorities, in both Turkish and English.

Also, for the purpose of supporting the right of shareholders to obtain information, press bulletin given to the press by the Company and public statements by Company officials regarding quarterly operating results are presented to the shareholders on the corporate website under the "Investor Relations" section.

Though our articles of association do not govern the right of individual shareholders to demand a special auditor, to date no shareholder has submitted such a request.

## **2.3. General Assembly Meeting**

The announcement of a general assembly meeting is made through the Public Disclosure Platform (PDP), the Electronic General Assembly System (EGAS), the corporate website of the Company, and the Turkish Trade Registry Gazette at least three weeks before the meeting in order to reach the maximum number of shareholders. In addition, before the general assembly meeting, "information documents" regarding agenda items are prepared and announced to the public. All announcements and notifications required by the Turkish Commercial Code (TCC), capital markets legislation, CMB regulations and decisions, and articles of association are made.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting and did not contain any ambiguity about the exact location of the meeting, agenda items of the meeting, the body issuing the invitation to the meeting, or the exact location where the annual report, financial statements, and other meeting documents could be examined. In this context, the annual report, financial reports, other documents forming the basis for agenda items, and the profit distribution proposal from the date of the announcement, were posted on the Company website and at Company headquarters to facilitate easy access by shareholders.

Along with the announcements to be made in accordance with legislation and the announcement of the general assembly meeting, on the Company's corporate website, [www.sisecam.com.tr](http://www.sisecam.com.tr), the following items are provided to shareholders in the "Information Documents" section under "General Assembly Announcement and Documents" which is found in "Corporate Identity and Governance" in the "Investor Relations" section.

- a. The total number of shares and voting rights reflecting the company's shareholding structure as of the date of disclosure, privileged share groups within company capital, voting rights, and the nature of privileges,
- b. Information on changes in management and activities of the company and its subsidiaries in the previous fiscal year, or changes planned for the upcoming fiscal period which may significantly affect company operations,
- c. Grounds for dismissal and replacement of board members, candidates' backgrounds, posts held in the last decade, the nature and significance of their relationships with the company and related parties, their independence status, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner which would not result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the general shareholders' meeting was related to the agenda items.

Subjects which the shareholders send to the investor relations department of the Company in writing are considered by the board of directors. There were no such requests within this period.

The utmost care is shown to hold general assembly meetings without causing inequality among the shareholders and to organize the meetings so as to make sure shareholders can participate at the lowest possible cost. Within this context, the time of the general assembly meeting is determined by considering traffic, transportation, and similar environmental factors. Electronic general assembly is also considered as an option which may increase the possibility for shareholders to participate in these meetings.

At the general assembly meeting agenda items were expressed in an unbiased and detailed manner and presented clearly and concisely to provide shareholders with the opportunity to express their opinions under equal conditions and raise any questions. The chairman made sure that each question was answered directly, providing the answers did not constitute trade secrets. If the question was not related to the agenda or was so comprehensive that it could not be answered immediately, the question was answered by the investor relations department as soon as possible in writing. No shareholders submitted written questions to the investor relations department on the basis of not having received an answer at the general assembly meeting in 2016.

Shareholders were informed if permission was granted to shareholders who control management, members of the board of directors, managers with administrative responsibility, their spouses, or relatives up to second degree blood relatives to execute transactions and compete with the holding and/or its affiliates, to make commercial business transaction for themselves or on behalf of others, or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility, and this topic was included as a separate item on the agenda of the general shareholders' meeting.

Any authorization for the board of directors to engage in activity within the scope of Articles 395 and 396 of the Turkish Commercial Code is included as a separate item on the agenda of the general shareholders' meeting.

The members of the board of directors associated with issues of a special nature on the agenda, other relevant persons, authorized persons who were responsible for preparing the financial statements, and auditors were present to provide necessary information and answer questions at the general shareholders' meeting.

If there is a significant change in the management and operation of the company, the public is informed within the frame of the regulation.

The Company's articles of association were amended in compliance with corporate governance principles with respect to significant transactions and related party transactions defined in the corporate governance principles of the CMB and providing guarantees, pledges, and securities to third parties.

Within this context, in this period;

At our board of directors' meeting of 4 March 2016, it was decided our company and Anadolu Cam Sanayii AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Balsand B.V., which carry out activities in Holland, receive a loan amounting to 10 million EUR from Rabobank.

At our board of directors' meeting of 24 June 2016, it was decided our company and Trakya Cam Sanayii AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Richard Frtiz Holding GmbH, which carry out activities in Germany, receive a loan amounting to 15 million EUR from ING.

At our board of directors' meeting of 30 June 2016, it was decided our company and Soda Sanayii A.S., one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Şişecam Soda Lukovac, which carry out activities in Bosnia and Herzegovina, receive a loan amounting to 10 million USD from IFC. 2,1 Million USD of loan is used as of 31 December 2016.

The jointly and severally guarantee was extended for a year in October 2016 which was ensured by Our Company and Anadolu Cam Sanayii A.Ş., one of our subsidiaries, for the loan of Merafa Glass, which carry out activities in Ukraine, amounting to 20 million EUR received from EBRD.

At our board of directors' meeting of 19 October 2016, it was decided our company and Trakya Cam Sanayii A.S., one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Şişecam Flat Glass Italy, which carry out activities in Italy, receive a loan amounting to 40 million EUR from ING. 25,5 Million EUR of loan is used as of 31 December 2016.

Our company pledged regarding to the non-cash loan limit to provide loan amounting to 50 million TRY from Eximbank for Paşabahçe Cam Sanayii ve Ticaret A.Ş., one of our subsidiaries,.

These transactions were agreed upon with the unanimous consent of the board of directors.

In the Ordinary General Assembly meeting, shareholders are informed about the donations provided during the period, and the approval for limits of donations is obtained. At the Ordinary General Assembly Meeting held on 25 March 2016, the donation limit for 2016 was determined to be TRY 10 million; accordingly, the total donations provided amount to TRY 249,922 in 2015.

Stakeholders and media are allowed to attend the general shareholders' meetings. Şişecam's general assembly meeting is held under the supervision of a representative from the Ministry, who is assigned by the Ministry of Customs and Trade. The general assembly meeting minutes, which are posted on the corporate website of the Company, are available for review by the shareholders in the Company's head office and on the corporate website of the Company.

The general assembly is informed by way of a separate agenda topic regarding related party transactions, pledges, securities, and mortgages provided on behalf of third parties in the current period.

The ordinary general assembly meeting for 2015 was held 25 Mart 2016 with a quorum of 91.18%.

In the announcements and declarations regarding general assembly meetings, the following information is provided;

- a. The agenda, place, date, and time of the general assembly, and the principles for arranging letters of attorney and letter of attorney forms for the shareholders who will be represented by their attorneys;
- b. Whether the general assembly meetings will be held in a physical or electronic environment, and the information that assigning attorneys, making suggestions, expressing opinions, and voting during any general assembly meetings in the electronic environment will be done using the Electronic General Assembly System (EGAS) provided by the Central Registry Office (CRO), and that shareholders who would like to participate the general assembly in person or through their attorneys in the electronic environment shall make their preferences known in accordance with the principles of EGAS;
- c. Information regarding the requirement that shareholders who would like to participate in the general assembly must present their identities or letters of attorney in person or through their attorneys if they want to use their rights related to their shares registered in the “Shareholders List” in the Central Registry Office system; and,
- d. That the annual report, including financial statements, independent audit reports, the profit distribution proposal of the board of directors, and the previous and revised versions of the amendment text, if there will be any amendments to the articles of association, will be available for examination by the shareholders on the corporate website of the Company.

#### **2.4. Voting Rights and Rights of Non-controlling Interests**

There are no privileges stated in the articles of association regarding the use of voting rights. In accordance with the articles of association, each share has one voting right. If cross ownerships cause dominant relationships, the companies involved in the treasury shares may not use their voting rights unless there are indispensable conditions, such as the need for a quorum.

Türkiye Şişe ve Cam Fabrikaları A.Ş. does not have treasury shares.

All shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no restrictions or obligations stated in the articles of association concerning the representation of a minority within management nor is there any provision that defines a minority as possessing shares accounting for less than 1/20 of the total shares of the company.

#### **2.5. Dividend Right**

The Company has a certain and consistent “Dividend Distribution Policy” determined by considering the Turkish Commercial Code, the Capital Markets Board Law, tax laws and other legislation the company is subject to and the provision of the articles of association. This policy has been submitted to the approval of shareholders at the general meeting and disclosed in the annual report and in corporate website of the Company.

Şişecam's dividend distribution policy contains the minimum information necessary for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the company.

The Profit Distribution Policy is as follows;

The dividend distribution policy of our company has been determined considering the Turkish Commercial Code, the Capital Markets Board Law, tax laws, other legislation the company is subject to, and the provisions of the articles of association.

Accordingly;

- a. The Company has determined that a minimum of 50% of its distributable net profit for each period, calculated at year end within the framework of the legislation on capital markets and other relevant legislation, is distributed in cash and/or in the form of bonus shares; the shareholders' ordinary general assembly may resolve on a distribution which differs from the targeted percentage, taking into consideration matters such as economic conditions, investment plans, and cash position.
- b. The board of directors' profit distribution proposals, which also contain the details stipulated in the arrangements pertaining to the Capital Markets Board and in the corporate governance principles, are, within the relevant statutory periods of time, disclosed to the public through the Public Disclosure Platform, the Company's website, and activity reports.
- c. Cash dividends, which shall be distributed depending on the resolutions taken at the general assembly, are paid on the dates decided upon at the general assembly; the transactions, which are relevant to the dividends that shall be distributed in the form of bonus shares, are completed within the statutory periods of time stipulated in the arrangements pertaining to the Capital Markets Board.
- d. Within the framework of the profit distribution policy the dividends are equally distributed among all the shares existing at the date of distribution, regardless of issuance and acquisition dates.
- e. If the board of directors proposes the general assembly not distribute the profits, the grounds for this proposal and information on how the undistributed profits shall be utilized are announced to the shareholders at general assembly meetings.
- f. Under the profit distribution policy a balanced policy is followed which establishes a balance between the interests of the shareholders and the interests of the Company.
- g. There are no privileged shares in terms of acquisition of shares from the profit.
- h. The articles of association do not allow for payment of dividends to members of the board of directors or to employees using the founder's redeemed shares;
- i. In accordance with the articles of association, the board of directors can distribute profit advances, provided this is authorized by the general assembly and complies with the Capital Markets Law and regulations of the Capital Markets Board regarding this subject; the profit advance distribution authority, which is granted by the general assembly to the board of directors, is limited to the related year.

In 2016, dividends totaling (250+98) 348 million TRY have been distributed, of which 250 million TRY were cash and 98 million TRY were bonus shares.

## **2.6. Transfer of Shares**

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.



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

### **3.1. Company's Website and Its Contents**

The corporate website, [www.sisecam.com.tr](http://www.sisecam.com.tr), is actively used as suggested by the corporate governance principles of the CMB in order to be in continuous contact with its shareholders and to maintain the company's relationships with its shareholders more effectively. The information on this website is constantly updated by the investor relations department. The company's corporate website has the same content with explanations within the framework of the provisions of the related regulations and there is not any conflicting or missing information on the site.

On the company's corporate website [www.sisecam.com.tr](http://www.sisecam.com.tr), which is available in Turkish and English, mandatory information is disclosed pursuant to the legislation. The following is included on the corporate website: segment information, information about products, annual and interim reports, financial statements, corporate governance compliance reports, the articles of association, trade register information, information about the latest shareholder and management structures, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas from the general assembly meetings and lists of the participants and minutes for the general assembly meeting, a form for proxy voting at the general assembly meeting, the donation policy, the remuneration policy, the dividend distribution policy, the ethical rules of the company, frequently asked questions and the responses. Information on these topics can be accessed on the website for at least the last five years.

The shareholder structure of the company and the names of the people who hold more than 5% of the shares after the elimination of indirect or treasury shares are disclosed on the company's website and are updated quarterly.

Turkey İş Bankası A.Ş. holds 66.15% of the issued shares of the company, amounting to TRY 2.050.000.000 as of 31 December 2016. Türkiye İş Bankası A.Ş. is the controlling shareholder and as of the date of this report there are individual shareholders who hold more than 5% of the company's shares within its capital structure.

### 3.2. Annual Report

The annual report is prepared in order to provide complete and accurate information regarding the activities of the company to the public. The annual report for 2016 has been prepared based on the third clause of Article 516 of the Turkish Trade Act and Article 518 of the same act, in accordance with the minimum content specified in Article 8 of the “Communique of Principles Regarding Financial Reporting in Capital Market” of the Capital Market Board and the provisions of the “Regulations Regarding the Determination of Minimum Contents of Annual Activity Reports of the Companies” by the Ministry of Customs and Trade and the annual report has been independently audited.

The annual report contains the following information;

- a. The period covered by the report, the title of the company, trade registry number, contact information,
- b. The names of the chairman and the members of the board as well as committees and upper management,
- c. The sectors in which the company and its subsidiaries operate and information on its positions in these sectors,
- d. Information about the company’s functional units, general explanations related to their activities and performance and yearly developments,
- e. Progress on investments, the eligibility and status of government incentives,
- f. The changes to the articles of association in the current period,
- g. The Corporate Governance Principles Compliance Report,
- h. Information on related party transactions,
- i. Other relevant and beneficial information that is not included in the financial statements,
- j. The company's organizational, capital and ownership structure and any changes made in the related accounting period,
- k. Information on all benefits provided to staff and the number of personnel,
- l. Information about the fact that no board members were involved in any transactions with the company on their own behalf or on someone else’s behalf within the framework of permission granted by the general shareholders’ meeting along with their activities within the scope of restraint of trade,
- m. The dividend distribution policy,
- n. Basic ratios that explain the company’s financial position, profitability and solvency, and,
- o. The company's financing resources and risk management policies,

In addition to the matters specified in the legislation, information on the following matters is included in the annual reports;

- a) The external duties of board members and executives and the declaration of independence of the relevant board members,
- b) The members of the committees within the board and their working principles,
- c) The number of board meetings held during the year,
- d) Any changes to legislation which could significantly affect the company's operations,
- e) Any major court cases against the company and their possible consequences, and,
- f) The benefits provided to employees, vocational training for employees, and other company activities that give rise to social results.

## **SECTION IV. STAKEHOLDERS**

### **4.1. Informing the Stakeholders**

The company recognizes the rights of stakeholders which were established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation or protected by contracts, the company protects the interest of stakeholders under good faith principles and within the capabilities of the company. Effective and expeditious compensation is provided in case of a violation of rights.

The website of the company is actively used to provide adequate information on policies and procedures that protect stakeholders' rights.

The corporate governance structure of the company ensures that its stakeholders, including its employees and representatives, report their concerns about any illegal or unethical transactions to the management.

The company's employees can raise any transaction that contradicts legislation and that is not ethically sound to audit committee and to the internal audit unit. An ethics hotline has been set up for stakeholders to raise any transactions deemed to contradict the law or the company's ethical values to the audit committee, which is composed of independent board members. Complaints can also be sent via email, to etik@sisecam.com. A documented compensation policy has been established and disclosed to public for Şişecam.

Şişecam has created the framework for a compensation policy, though not a very detailed one, and has disclosed it to the public on the corporate web site.

In order to increase communication with the employees, two in-house periodicals, the "Şişecam Group Periodical" and the "Technical Bulletin" are published. In addition, subjects that are followed by the public are broadcasted on the "Corporate TV". On the portal, which is available for in-house employees, instruction manuals and announcements regarding policies, procedures, instructions and systems that are in effect are submitted for the information of the employees.

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

The fundamental principles, which are embraced to allow for the participation of company employees in management, keeps all lines of communication open and eliminates all possible encumbrances. Practices such as "message to the general manager", "Ethics Communication Line and Electronic Mail Adress" and "idea factory" are used to this end.

The company maintains constant communication with its employees, pays attention to their needs and creates various platforms and mechanisms by which employees can convey their opinions and comments.

These meetings play a significant role in the decision-making process of senior management. Expectations and demands from all of the stakeholders involved with the company are addressed based on the code of ethics and are resolved through mutual communication.

Even though these models and their applications are not incorporated in the articles of association, they are included in the "Şişecam Constitution".

### **4.3. Human Resources Policy**

The human resources policy of our company is put into writing and the regulations and procedures that are part of the policy are submitted into the internal portal which is available for employees to access.

It is ensured that recruitment and career planning are conducted on the basis of equality and transparency. These activities are carried out in line with the relevant provisions of the "Human Resources Systems Regulations", the "Recognition Appreciation System" and the "Incentive System."

The recruitment selection and placement center has been working to attract university student, new graduates and other professionals by actively using all existing recruiting methods and techniques with branding and by organizing various communication activities at universities and other institutions.

By modifying the Balance Score Card system, started by the Group in 2010, to include personal targets, the success-based performance culture is being converted into a success-based corporate culture. The foundation of the Performance Management System is to create value for the employee and to ensure that the value created by the employee serves the development and sustainability targets of the company.

Expectations for the individual employee and the requirements of the organization are discussed by means of the Career Development Plan, a part of the Performance Management System, in the career committees that are held regularly each year. Moreover, strategic career maps as well as the Group-based career and succession plans are developed using data from the Performance Management System.

Şişecam aims to add the necessary human resources to its organization while preserving a high level of loyalty among current employees, as well as creating a positive, equal and competitive working environment. There is no any complaint from employees including especially discrimination in 2016. Relations with employees are executed in the coordination of human resource department.

The compensation management system of the Group takes into account variables such as the wages in the market, the existing compensation structure and payment power, individual performance and job levels. A competitive and arm's length compensation and benefits strategy based on awarding steady-high performance is the foundation of the systems. Compensation and benefits management is performed based on the criteria of knowledge, skills, and experience regardless of gender, religion, language, race, etc.

All employees of Şişecam are offered;

- An up-to-date competitive salary package that rewards success,
- A flexible and sustainable benefits package based on the employee's needs and expectations,
- A social structure that provides a work-life balance,
- A productive and fostering working environment which leads to open communication, and
- Well-established and innovative development and career opportunities aiming towards global leadership.

Training and development activities are carried out to prepare employees in Şişecam Group for new positions, to support the skills necessary for their positions, and to support professional competence and self-development needs.

At the end of 2015, training and development activities were restructured under Şişecam Academy Şişecam Akademi works with central functions and groups like a business partner and has enriched and enhanced its training and development capacities as per job families and positions in 2016.

In this context, "Leadership School" formed based on the global leadership model was offered to 450 employees at the levels of manager, supervisor, and technician/foreman. It was launched abroad for the first time in Russia in autumn 2016. "Sales School" for sales representatives and sales supervisors, "Human Resources Certificate Programme" for the future strategic human resources employees, and "Glass School" for engineers and supervisors are among the activities performed in 2016.

"In-house Trainer Certificate Programme" aims to share the Group's valuable knowledge and expertise with both new hires and current employees; and to get in-house trainers to provide some trainings that used to be provided by external parties.

With the aim of supporting development of our stakeholders in our ecosystem, we cooperate with Boğaziçi University for “Düzcam (Flat Glass)” and “Cam Ev Eşyası (Glass Houseware)” dealers’ trainings within the scope of Şişecam Akademi’s practices. In addition to the foregoing Schools and Programmes, the preparations for “Supply Chain School”, “Marketing School”, and “Financial Affairs Certificate Programme” projects have been completed and these projects are planned to be implemented in the new year.

As a result of the investments in the field of education technologies, e-learning modules started to be produced within the Group. With mixed training methods, education and development activities were expanded outside the class activities and access to information became easier. Accordingly, the resources for development, book abstracts, videos to support class trainings, and our employees’ special interests are shared through “Akademi Portal”. Drama technique was used for the first time in the preparation of “Ajan 4141 (Spy 4141)” training and a high participation rate was achieved. In 2016, 38 e-learning modules were opened for white collar workers and a total of 15,783 people participated.

In 2016, training per capita among white collar workers was 31.6 hours, among blue collar workers, it was 20.7 hours.

Across the Group, six collective bargaining agreements have been carried out domestically. These include one group collective bargaining agreement covering ten factories, two manufacturing plants and three workplaces. Internationally, agreements are in place covering the Trakya Glass Bulgaria EAD, Şişecam Automotive Bulgaria EAD, Paşabahçe Bulgaria EAD in Bulgaria, the Posuda factory in Russia, the Glascorp factory in Romania, Soda Lukavac d.o.o. and Rudnik Krecnjaka factories in Bosnia and Herzegovina and Richard Fritz Kft in Hungary. The effective duration period of these collective bargaining agreements vary between one and three years.

Coordination meetings on the subjects of implementing collective bargaining agreements, industrial relations and increasing productivity are held at the Group’s workplaces with the representatives of the following trade unions: Kristal-İş (the Glass, Cement, Ceramic and Soil Industries Workers’ Union of Turkey), T. Çimse-İş (the Ceramic and Pottery Industries Workers’ Union of Turkey), Selüloz-İş (the Cellulose and Wood Products Workers’ Union of Turkey) and Petrol-İş (the Petroleum, Chemical, Rubber Workers’ Union of Turkey). Similarly, coordination activities are also carried out with trade unions organized at the workplaces abroad.

Efforts for adoption of Occupational Health and Safety culture continue with the projects that aim behavioural change at factories. The annual painting contest, which aims to sustain the occupational health and safety culture and includes families of blue collar workers, has become a tradition.

Thanks to the work accident tracking system, the data useful for analysis of the root causes of all accidents at the factories are gathered in the system. With the data, “Şişecam work accidents report” is prepared annually. In addition, a system of preventive and corrective actions, which aims to eliminate the problems arising in relation to work accidents, compliance with OHSAS 18001, internal and external audits, and management issues, and allows the recording of the financial dimensions of the accidents is open for access. Factory work health and safety audits performed with the coordination of the Group’s Industrial Relations Directorate since 1995 started to be performed together with “Internal Audit Directorate”.

The tracking system of workplace accidents, which covers all workplaces and units, including the management and sales centers, is practiced with the integration of SAP system. Another pillar of the project, the CAPA system, ensures proper rectification of all failures to conform which present a risk of workplace accidents, arising from OHSAS 18001, managerial, internal. Sample factory checks initiated by the executive management also contribute to the adoption of work health and safety practices within the group. The Internal Audit Department started performing factory occupational health and safety audits. Projects related to changing behaviours are carried out in domestic and overseas factories to improve Şişecam's occupational health and safety culture.

#### **4.4. Codes of Conduct and Social Responsibility**

Şişecam Group's code of ethics were regulated and put into effect in order to provide a framework of honesty, transparency, confidentiality and objectivity and to be in compliance with the law in accordance with the board resolution no. 49 on 28 July 2010. This resolution covers guideline regulations that direct the relations of all Group employees with the customers, suppliers, shareholders and other stakeholders. These decisions were updated in accordance with the current requirements with the board resolution no. 33 on 28 March 2013 and no.59 on 28 June 2016. Şişecam's ethical rules are publicly disclosed on the corporate web site. Internal audit directorate carries out periodical ethics audits to review the level of compliance to Ethical Rules throughout the Group.

The collection of 520 old glass artefacts as a reflection of a history of about 3,500 years, which Şişecam Group gathered with the aim of preserving cultural values, is registered at the Istanbul Archaeology Museum and exhibited at the exclusive museum area at Şişecam's Head Office.

The Glass Hall of the Bodrum Underwater Archeology Museum was opened in 1985 to visitors from around the world, under the sponsorship and safeguard of Şişecam.

The first of the History, Culture and Glass collections was presented in 1999 in Paşabahçe Stores and reflected the historical and cultural background of Anatolia through glass artwork. This project was initiated in line with the mission of the Şişecam Group to preserve and pass on cultural heritage to the coming generations. So far, 500 different glass collection items with artistic value have been produced; each of these items has been produced in limited numbers. In this scope, So far, 12 collections were the Ottoman Collection, the Blue and White on Glass Collection, the Calligraphy on Glass Collection, the Mosaic Collection, the the Anatolian Civilizations Collection, the Calligraphy on Glass Collection, the Patience and Reconciliation Collection, the Alliance of Civilizations Collection, the Mystery of Seven Collection, the Aşure Collection, the Istanbul Collection and the Talking Banknotes-Coins Collection and Zevk-i Selim.

In addition to its History-Culture-Glass Collections, Paşabahçe stores launched a new collection called "Omnia" in 2015, when Paşabahçe celebrated its 80th year. With the Omnia collection, traditional glass house ware such as Çeşm-i Bülbül, Beykoz, and amulet evil eye was interpreted in a modern way and offered to glassware lovers.

Şişecam awards an Education Incentive Scholarship to its employees and their children who are studying. Within this scope, 3,678,742 TRY in scholarships were awarded in 2016.

Kazanlı coast in Mersin is known as one of the most significant egg laying areas worldwide for endangered sea turtles. Within the scope of "Mersin province Kazanlı coast sea turtle population research, review, and preservation project" which continues since 2007 with the cooperation between Soda Sanayii A.Ş. and Mersin University, nesting zones of endangered Caretta Caretta and Chelonia Mydas turtles are preserved. As a result of the relevant efforts, the number of nests has steadily increased since 2007 and a record-breaking number of sea turtle nests, 1,705, was reached in 2016.

In addition to the awareness activities, the local people were informed about the issue and the activities to preserve endangered sea turtles continued.

At the Kazanlı coast spring cleaning activity held on 19 May 2016 with the cooperation of Mersin University instructors and the participation of Soda Sanayii A.Ş. employees, a team of 500 volunteers cleaned habitats of the sea turtles.

“Glass again glass” project, which has continued since 2011 with the cooperation of Şişecam Group with ÇEVKO Foundation and local governments, is one of the most comprehensive sustainability and social responsibility projects in Turkey. The project creates awareness about recycling of glass packages, develops glass package waste collection infrastructure, modernises the facilities where glass package wastes are collected and processed, and separates the glass package wastes mixed with domestic wastes before regular storing. Within the scope of the project, up to now, 233,000 elementary school students have been trained about recycling, 17,400 money boxes were given away and 740,000 tonnes of glass package waste was recycled. With the aim of increasing societal awareness about glass recycling, various communication activities were held throughout the year and the importance of glass recycling for a sustainable future was emphasised.

Şişecam Çayırova Sports Club, founded by Şişecam under the name of Çayırova Yelken İhtisas Spor Kulübü Derneği (Çayırova Sailing Expertise Sports Club Association), started its activities in 1982 at Çayırova social facilities with the aim of encouraging young people to do sports and contributing to development of their physical and moral capabilities; and achieved federate club status from the General Directorate of Youth and Sports in 1984.

Today, with its sports people and executive staff of around 120, the club contributes to Turkish sports by raising young sports people in the fields of sailing, rowing and canoeing. The club has not only been successful in these three fields through 2016 but also has raised five athletes and one coach for the national rowing team; and three athletes and one coach for the national canoeing team.

## **SECTION V. BOARD OF DIRECTORS**

### **5.1. Structure and Constitution of the Board of Directors**

Strategic decisions of the board of directors aim to manage the company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the company. The board Company represents and governed the Company within these principles.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

The Board of Directors has been determined in order to allow the board members to work productively and constructively, to make quick and rational decisions and with the purpose of setting up committees and allowing those to organize their operations effectively.

There are executive and non-executive members of Board of Directors. A non-executive member of the Board of Directors is the one who is not involved in ordinary operations and daily workflows of the Company and is not responsible for any other administrative role apart from the membership in Board of Directors. Most of the members of Board of Directors consist of non-executive members. Prof. Dr. Ahmet Kırman, General Manager, participates in the Board of Directors as an executive member. The chairman of the Board of Directors and the General Manager are not the person. In accordance with the criteria set by the Capital Market Board's Corporate Governance Principals, there exist three independent members in the Board of Directors.

Independent members have been determined in accordance with procedures anticipated in the corporate governance principles on 12 January 2016 and proposed to Board of Directors at the same date. In the Board of Directors meeting held on 19 January 2016, no qualified opinion was issued related to the election of appropriate independent members in accordance with CMB notifications no: 29833736-100-E.1446 and dated on 5 February 2016.

The independent and non-independent members of the board, who have been determined within this scope, have been elected for one year in the General Assembly Meeting related to year 2016, held on 25 March 2016. Since the one-year duty terms of the members of Board of Directors cease to exist in the ordinary general assembly meeting to be held on 30 March 2017, the board members will be elected in the aforementioned ordinary general assembly meeting. The curriculum vitae of the member of Board of Directors have been announced in the related section of our annual report and the Company's corporate website and no issue arose that may threaten the independence of independent members. Accordingly, the statements of independence of members are presented as follows.

## STATEMENT OF INDEPENDENCE

Türkiye Şişe ve Cam Fabrikaları A.Ş.  
To the Board of Directors

Türkiye Şişe ve Cam Fabrikaları A.Ş. I herewith declare that I still bear the “Independent member of Board of Directors” conditions, which are determined by Communiques, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Best Regards,

(Signature)

Prof. Dr. Atilla Murat Demircioğlu

6 March 2017

## STATEMENT OF INDEPENDENCE

Türkiye Şişe ve Cam Fabrikaları A.Ş.  
To the Board of Directors

Türkiye Şişe ve Cam Fabrikaları A.Ş. I herewith declare that I still bear the “Independent member of Board of Directors” conditions, which are determined by Communiques, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Best Regards,

(Signature)

Halit Bozkurt Aran

6 March 2017



## STATEMENT OF INDEPENDENCE

Türkiye Şişe ve Cam Fabrikaları A.Ş.  
To the Board of Directors

Türkiye Şişe ve Cam Fabrikaları A.Ş. I herewith declare that I still bear the “Independent member of Board of Directors” conditions, which are determined by Communiques, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Best Regards,

(Signature)

Mehmet Ögütçü

6 March 2017

Subsequent to General Assembly meetings, in which the members of Board of Directors are elected, Chairman and vice President of Board of Directors have been determined with the purpose of making decision on segregation of duties. As stated in the table below, there exists 1 executive and 8 non-executive members of the Board of Directors.

In accordance with Turkish Commercial Code Law no 395 and 396, the approvals with respect to participation of Chairman and members of the Board of Directors in the Company’s area of activity, either in person or on behalf of others and their engagement to partnership of the companies operating in similar activities is given by the General Assembly.

The member of Board of Directors can express their opinion freely, without any influence. In accordance with Corporate Governance Principles, there are two female members in the Company’s Board of Directors, who are Zeynep Hansu Uçar and İzlem Erdem. On the other hand, there is neither a target rate nor a target period defined but limited to the fact that the rate of female members of the board shall not be fewer than 25% and there has been no defined policy in order to meet those targets yet. The policy of Company is evaluated periodically and accordingly to the necessities.

The Company has subsidiaries and associates. Considering the fact that the involvement of members of Board of Directors in the management of these companies is for the interests of the Group, their responsibilities out of the Company are not limited and the out-of-company responsibilities of board members are explained below.

<b>Name &amp; Surname</b>	<b>Title</b>	<b>As-is Out of Group Responsibilities</b>
Hakkı Ersin Özince	Chairman	Türkiye İş Bankası A.Ş. Chairman
Prof. Dr. Ahmet Kırman	Vice Chairman- General Ma	Anadolu Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş., Trakya Cam San. A.Ş., Soda Sanayi A.Ş., Paşabahçe Mağazaları A.Ş. Trakya Glass Bulgaria EAD, Trakya Cam Investment B.V., Trakya Investment B.V., Fritz Holding GmbH, Anadolu Cam Investment B.V., OOO Ruscam Glass, OOO Ruscam Glass Packaging Holding, OOO Ruscam Management Company, Balsand B.V., TRSG Autoglass Holding B.V., Şişecam Chem Investment B.V., SC Glass Trading B.V., Paşabahçe Investment B.V., Şişecam Çevre Sistemleri A.Ş., OOO Posuda, AC Glass Holding B.V. Chairman
Mahmut Magemizoğlu	Member	Türkiye İş Bankası A.Ş. Vice General Manager, Anadolu Hayat Emeklilik A.Ş. Chairman, Milli Reasürans T.A.Ş. Chairman
Prof. Dr. Atilla Murat Demircioğlu	Member	Trakya Cam San. A.Ş. Independent member of the Board of Directors, Alexander von Humboldt Derneği Bursiyerleri Chairman, Yıldız Teknik Üniversitesi University Member of the Board of Directors
Halil Bozkurt Aran	Member	Trakya Cam San. A.Ş. Independent member of the Board of Directors, Director of TEPAV Ticaret Çalışmaları Center, The Bretton Woods Committee Member
Zeynep Hansu Uçar	Member	Türkiye Sınai Kalkınma Bankası A.Ş. , Anadolu Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş., Trakya Cam San. A.Ş., Yönetim Kurulu Üyesi, Camiş Yatırım Holding A.Ş. Member of the Board of Directors
Sabahattin Günceler	Member	None
Mehmet Öğütçü	Member	Global Resources Partnership Chairman, The Bosphorus Energy Club Chief Executive Officer, Genel Energy plc ve Saudi Crown Investment Holding Member of the Board of Directors, Asia-Pacific and Middle East/ Persian Gulf Region Ambassador of Energy Charter Organization., Windsor Energy Grup, European Policy Forum, The Oil Council ve Beijing Energy Club International Advisory Member.
İzlem Erdem	Member	Türkiye İş Bankası A.Ş. İktisadi Research Department Manager, İş Portföy Yönetimi A.Ş. Vice President.

## **5.2. Fundamentals of Activities of Board of Directors**

The Board of Directors elects a chairman and vice-president subsequent to each general assembly meeting. The Board of Directors makes a new election for the chairman and/or vice-president when they cease to have their roles for any reason. The vice President leads the Board of Directors when the Chairman does not participate. If the vice President does not participate neither, any member of the board who is elected by the board itself temporarily leads the meeting of Board of Directors. The date and agenda of the meeting of Board of Directors are determined by the Chairman. The vice President is responsible for these duties when the Chairman does not participate in the meeting. The Board of Directors organizes the meetings as necessary with respect to the transactions of the Company. However, a meeting once a month is required.

The number of decisions made by the Board of Directors during the period is 114 and the decisions are made at the consensus of the available members. There has not been any opponent member of the board. The meeting and decision quorums of Turkish Commercial Code, Capital Markets Board and related legislations are considered in making Board of Directors' meeting.

Thereby providing an equal flow of information, the information and documents related to agenda items of meeting of Board of Directors are presented for the review of members of the Board of Directors before a sufficient plenty of time. The members of the Board of Directors can make suggestion for changes in the agenda to Chairman, before the meeting. The opinion of any member who does not participate in the meeting and expresses his opinion to Board of Directors in written is presented to the other members. Each member of the board has a voting right in the Board of Directors.

Each agenda item is discussed clearly and in all aspects in the meetings of the Board of Directors. Participation rate of members of the board of Directors to the Board of Directors meeting is %99.32 in 2016. Independent member of the board of Directors did not vote for their own election.. The Chairman makes his best effort to ensure the effective participation of non-executive members in the meetings of Board of Directors. The reasonable and detailed reasons of opponent votes related to opposed agenda items by the members of the Board of Directors. The reasons for the opposite opinions are declared publicly in detailed. However, there is no such publicly announcement in the year 2016 since there exists no such opinion was declared.

The meetings of Board of Directors are generally held at head office of the Company and the significant minutes of Board of Directors are announced to public via PDP and the minutes announced to public are also published in the Company's corporate website.

Authorities and responsibilities of the Board of Directors are clearly explained in the Articles of Association. Authorities are exercised in compliance with the internal legislation registered in 27 November 2014, published in 3 December 2014 and prepared by the Board of Director's decision no 122 in accordance with the article 367 and 371 of Turkish Commercial Code in 20 November 2014. The Board of Directors plays a leading role in ensuring effective communication between the Company and the shareholders, in settlement of disputes and in reaching a solution and with this purpose, the Board of Directors is in a close collaboration with the Department of Investor Relationships.

### **5.3. The Number, Structure and Independence of the Committees Constituted in the Board of Directors**

For effective duty and responsibility performance of the Board of Directors, the “Supervisory Committee”, “Corporate Governance Committee” and “Early Risk Identification System and Committee” have been constituted in accordance with the Corporate Governance Principles. The assigned positions, working principles and members of these committees were determined in the Administrative Board Meeting and disclosed to the public on the same day.

Audit Committee members are selected from the independent members of the board. The chairman of the Corporate Governance and Early Risk Identification System and Committee are independent Board members. The Corporate Governance Committee, the Early Risk Identification System and Committee and the Audit Committee consist of five, five and three members, respectively.

The Chairman of the Board of Directors and General Manager do not participate in the committee. There exists no executive member in the committees except for the manager of the “Department of Investor Relations” participating in the Corporate Governance Committee, in accordance with corporate governance principles. A member of the Board of Directors, who is independent, does not have any responsibility in two committees, simultaneously.

The committees are provided with necessary support and resources in order to accomplish their tasks by the Board of Directors. The committees can invite any manager to their meetings and ask for his ideas when necessary.

The frequency of meeting of the committees is sufficient and is documented in written and recorded. The reports including information concerning their activities and minutes of meetings are presented to the Board of Directors.

Being responsible for the company’s accounting system, the independent audit and issue of financial information to public and the observation of internal control and process and effectiveness of internal audit system, the Audit Committee is also responsible for determining the methods and principles of the review and resolution of complaints related the company’s accounting and internal control and its independent audit and assessment of feedbacks of the company’s employees related to the accounting and independent audit issues within the framework of a confidentiality. It declares its findings related to its tasks and responsibilities and related assessments and suggestions to Board of Directors in written. It also declares its assessments related to the consistency of annual and interim financial statements to be issued publicly with the company’s accounting policies in terms of fair presentation and accuracy by the use of consultation from the Company’s responsible managers and independent auditors.

The members of the Audit Committee possess the qualifications defined in the Corporate Governance Principles. The details related to the activities of the Audit Committee and the minutes of meetings have been disclosed in the annual report. The Audit Committee held 16 meeting in 2016. The determination of independent auditors is performed in a way that the Audit Committee suggests an audit firm to the Board of Directors, considering the circumstances related to the competence and independence of independent audit firms.

The Corporate Governance Committee determines whether the corporate governance principles are applied properly within the company and if not, detects the conflicts of interests due to incompliance with these principles and provides the Board of Directors with improving suggestions related to corporate governance applications. Additionally, it traces the activities of “Investor Relations Department. The Corporate Governance Committee held 5 meeting in 2016.

Nomination Committee and Remuneration Committee have not been established and the duties of these committees have been included in the activities of Corporate Governance Committee. The candidacy proposals for independent memberships of the Board of Directors are evaluated by considering the fact whether they possess the requirements of independence of related legislation and these evaluations are reported.

The setting-up of a transparent system for the determination, evaluation and training of appropriate candidates for the memberships of Board of Directors and definition of related policies and strategies and performance of regular evaluations for the effectiveness and structure of Board of Directors and providing Board of Directors with the suggestions concerning the necessary changes are determined as the duties of the committee.

The wages policy including the principles of determination of wages of managers involved in the administrative responsibilities and the members of Board of Directors was defined and announced to public in the corporate website.

Early Risk Identification System and Committee performs activities related to early identification of the risks concerning the company's going concern and taking necessary precautions related to detected risks with the purpose of risk management and preparing reports by reviewing the risk management systems of Group companies. Early Risk Identification System and Committee held 10 meeting in 2016.

The notifications related to the meetings of Audit Committee, Early Detection of Risk Committee, and Corporate Governance Committee are duly made in due form to the Board of Directors.

Due to the fact that all members of Audit Committee and chairman of other committees and three members of Board of Directors are required to be independent, in accordance with Corporate Governance Principles, it has required a member of Board of Directors to be involved in more than one committee.

#### **The Audit Committee;**

Chairman Prof. Dr. Atilla Murat Demircioğlu (independent), Halil Bozkurt Aran (independent) ve Mehmet Öğütçü (independent).

#### **The Corporate Governance Committee;**

Chairman Prof. Dr. Atilla Murat Demircioğlu (independent), Zeynep Hansu Uçar, Sabahattin Günceler, İzlem Erdem and Hande Özbörçek Kayaer.

#### **Early Risk Identification System and Committee;**

Başkan Prof. Atilla Murat Demircioğlu (independent), Mahmut Magemizoğlu who is assigned to member of Boards in accordance with article 363 of Turkish Commercial Code by submitting to the general assembly on 21 December 2016 on behalf of İlhami Koç resigned on 20 December 2016, Halil Bozkurt Aran (independent), Zeynep Hansu Uçar and Mehmet Öğütçü (independent).

### **5.4. Internal Control and Risk Management System**

The financial crisis which started in 2008 and effects are still being felt today, intense international conflicts of interest, security problems triggered by geopolitical factors, technological developments which are also called fourth industry revolution, changes to business models resulting from digitalisation, and dramatic results of climate change and social problems caused different political, economic, and environmental risks globally compared to those of the past.

The fact that global risks started affecting people, companies, and states in new and unusual ways changed perspectives on risks around the world. The importance of risk management as a discipline increased considerably. In parallel with these developments, the efficiency of risk management and internal audit processes were reviewed in 2016 like previous years and these two functions, which form important elements of corporate governance, were closely managed. The Group continues its audit activities at a risk-based perspective and evaluates the available and potential risks proactively, under this structure.

At Şişecam Group, risk management and internal audit activities are structured under the parent company. The activities are performed in coordination with the Group Directorates that manage the main business fields of the group in affiliation with the parent company's board of directors. The results of the regular and planned meetings with the audit committee, early risk detection committee, and corporate governance committee structured in our publicly held companies are reported to the boards of directors in line with the legislation.

During the works performed for having a corporate structure, ensuring assurance to shareholders, protecting tangible and intangible assets, resources and environments of the Group, minimizing losses from uncertainty and having the maximum benefit from potential opportunities, relationship between the internal audit and risk management is maintained at a high level and aimed to support the decision process and increase the management efficiency.

#### **Risk Management in Şişecam Group:**

Risk management activities in Şişecam Group are executed fundamentally on the corporate risk management principles and a comprehensive and proactive approach is maintained. The Group focused on increasing the efficiency of risk management processes and invested in human resources and technology in 2016 in order to focus on boosting the efficiency of risk management processes in 2016. The scope of MicroSCOpe, an integrated risk management platform, was expanded to allow handling of the risk management and insurance functions with a higher coordination level. The time spent in the field for more effective risk management and expansion of the risk culture was increased.

The activities of the risk management function, which was organised within the parent company, are carried out in accordance with legal requirements. As in previous years, we coordinated with Şişecam Group's presidencies, which manage the group's main business fields, to manage the risks which were determined, prioritised, and included in an action plan in line with risk appetite. Reporting which enables the process to be followed up properly is performed in line with regulations.

#### **Internal Audit in Şişecam Group:**

The aim of the internal audit functions in our Group is to provide a healthy development for the Group Companies, to create unity in practice, to ensure that the operations are in line with both internal and external regulations and to ensure that correctional measures are taken timely. In accordance with the aforementioned purpose, for both domestic and abroad establishments of the Group; audit procedures are carried out.

Audit work is done according to the periodical audit programs which are approved by the Board of Directors. When creating audit programs; risk management studies are utilized, in other words ‘risk-based audit’ exercises are applied.

### **5.5. Strategic Objectives of the Company**

The process of definition of strategic goals of the Company and the evaluation and review of these strategic goals are initiated with the clarification of the set of Vision/Mission and Values by the Board of Directors.

The Company uses the term of Mission in determining which products are to be produced for whom and in which geographical regions those products are to be proposed. The term of Vision refers to an overall expression of the target and the desired positions that the company intends to arrive at.

Within this context, The Board of Directors has defined the objective of the Group as follows: “To become a leading company in glass and its areas of activity, which produces creative solutions with its business partners, makes difference with its technology and brands and which is human and environmental-friendly, while planning to become the leading company in glass and other fields of activity”. Mission of the Company has been determined as “Adding value to life by producing quality and comfort creating products, being a respectful Company to human, nature and laws”. Determined values defined for throughout Şişecam and include all affiliates of the Group.

The Group determines its long-term goals in-line with the visions and missions and prepares its 5 years strategic plans and yearly budgets in accordance with the aforementioned goals and sets all employees' aims compatible with the budgets. At the end of every annual year, performances are evaluated in line with the goals.

#### **5.6. Fiscal Rights**

As indicated in the Articles of Association; rights, benefits and wages that are procured to the Members of the Board of Directors are established by the General Assembly. The monthly wages of the Members of the Board of Directors are determined and declared to the public in Ordinary General Assembly Meeting of year 2015 which was held at 25 March, 2016. Wage policy principles for the high level executives of the Company are stated in written form in the Ordinary General Assembly Meeting for Shareholders which was held at April 3, 2013 and are declared to the Shareholders of the company and posted to the website of the Company.

There are no payments done to the General Manager and other high level executives, which are fixed to revenue, profitability or any other essential indicators which could be considered technically as bonus. In addition to the cash payments such as wages, bonuses and welfare benefits; a once a year payment is made to the General Manager, CFO and other high level executives of the company; which is calculated by the Board of Directors by taking -the operational volume, essence of the operation of the company and degree of vulnerability of the company, size of the structure which is managed, the sector in which the company operates and also the inflation rate, overall wage level and the profitability of the Company- into consideration. Also a company vehicle is provided for the high level executives of the company.

To this extent, the total of the payments that are done to the Members of the Board of Directors and high level executives are declared to the public in the financial statement disclosures of our company, and the lack of an individual based breakdown of payments prevents any conflict of interests.

Şişecam does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.