

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CONTENTS

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART II - SHAREHOLDERS

- 2.1. Investor Relations Department
- 2.2. Exercise of Shareholders' Right to Obtain Information
- 2.3. General Assembly Meetings
- 2.4. Voting Rights and Minority Rights
- 2.5. Right to Dividends
- 2.6. Transfer of Shares

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

- 3.1. Corporate Website
- 3.2. Annual Report

PART IV - STAKEHOLDERS

- 4.1. Informing Stakeholders
- 4.2. Stakeholders' Participation in Management
- 4.3. Human Resources Policy
- 4.4. Code of Ethics and Corporate Social Responsibility

PART V - BOARD OF DIRECTORS

- 5.1. Structure and Composition of the Board of Directors
- 5.2. Operating Principles of the Board of Directors
- 5.3. Number, Structure and Independence of the Board Committees
- 5.4. Risk Management and Internal Control Mechanisms
- 5.5. Strategic Targets of the Company
- 5.6. Financial Benefits

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Corporate governance practices were initiated at Zorlu Enerji Elektrik Üretim AŞ ("Zorlu Enerji" or "Company") in 2005 in accordance with the Corporate Governance Principles. Within the scope of these efforts, in the first stage, a series of amendments were made to the Company's Articles of Association in order to provide an equitable, accountable, responsible and transparent structure to shareholders. The corporate governance practices were continued with the establishment of corporate governance mechanisms within the Company. While the Board of Directors was vested with greater objectivity with the inclusion of independent members, committees were set up under the Board with the aim of further enhancing the effectiveness of corporate governance.

Zorlu Enerji carries out its activities in compliance with the applicable regulations and the Capital Markets Board's ("CMB") "Corporate Governance Principles". The Company is in full compliance with all the compulsory principles included in the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance No. II-17.1 and has adopted most of the non-compulsory principles. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2017.

- Zorlu Enerji voluntarily entered the BIST Sustainability Index, which comprises the shares of listed companies on Borsa Istanbul with a high corporate sustainability performance, for the first time in November 2016. The Company was also deemed eligible for inclusion the index for the November 2017 - October 2018 period thanks to its continued compliance with the index criteria.
- In line with the amendment to the Article 24 of the CMB's Communiqué on Material Events Disclosure No. II-15.1, "Zorlu Enerji Elektrik Üretim AŞ Public Disclosure Procedure", which sets out the necessary procedures for disclosures to be made on the Public Disclosure Platform (PDP, in Turkish: KAP), was prepared and put into effect by the Board of Directors' decision dated October 11, 2017.

Reasons for the Corporate Governance Principles Not Implemented

In the implementation of the Corporate Governance Principles, certain principles which do not conform to the Company's structure and which may create potential obstacles to operations are excluded. These principles and the reasons for opting not to implement these are summarized below:

- **Transfer of shares:** Since the Company operates in a regulated market, in order to achieve compliance with the obligations enforced by the relevant laws and regulations of the Energy Market Regulatory Authority ("EMRA"), the Article 6 of the Company's Articles of Association stipulates that "Within the term of the preliminary license and until obtaining the generation license, no direct or indirect change in the Company's ownership structure, transfer of shares and share certificates or transactions which result in a share transfer can be carried out except for inheritance or bankruptcy reasons and exceptional circumstances defined in the Article 57 of the Energy Market License Regulation. The mentioned provision is not applicable for the share transfer transactions which are conducted on the stock market. After obtaining the generation license, approval of the Energy Market Regulatory Authority must be obtained each time - prior to the realization of the transaction - for the transfer of shares or share certificates where the control in the Company's ownership structure changes regardless of the ownership changes mentioned above, upon acquisition of the shares representing five percent or more of the Company's share capital, directly or indirectly by a real or a legal person. The mentioned provision shall not apply for the share transfer transactions which are conducted on the stock market. The transfer of the Company's shares is allowed on the condition that the provisions of the Turkish Commercial Code, Capital Market Legislation, Energy Market Legislation and this Articles of Association are reserved". The Article 15 of the Company's Articles of Association also stipulates that "Following the receipt of the generation license, the approval of the Energy Market Regulatory Authority must be obtained for amending the provisions of the Articles of Association related with the type of the Company's share certificates and share transfers, mergers and spin-offs and reduction of the Company's share capital".

Granting shareholders the right to demand special audit and inclusion of an additional provision in the Company's Articles of Association for minority rights: Since the existing provisions in the Turkish Commercial Code on the appointment of a special auditor and minority rights are deemed to be adequate, these rights are not separately stipulated in the Company's Articles of Association.

- Due to the number of the members of the Board of Directors and the committee formation requirements, some Board members serve on more than one committee.
- Pursuant to the Article 4.6.5 of Corporate Governance Principles, remuneration and benefits provided to Board members and executive managers are publicly disclosed in the Company's annual report. However, such disclosure is not made on an individual basis.
- Currently, there is only one female member on the Company's Board of Directors and increasing the ratio of the female Directors to the level set forth in the Article no. 4.3.9 of the Corporate Governance Principles lies among the Company's medium-term targets.
- A Directors & Officers Liability Policy has been purchased to cover the losses which the Company may suffer due to the wrongful acts of the members of the Board of Directors in the execution of their duties; however, the total annual liability limit does not exceed 25% of the Company's share capital.

Those principles which remain outside the scope of the currently implemented principles and which are not yet implemented have not led to any conflicts of interest among the stakeholders to this date.

Acknowledging the contributions of the Corporate Governance Principles to the Company, Zorlu Enerji targets to attain a higher degree of compliance with those principles with the involvement of its employees and senior management and to reach the highest standards in the field of corporate governance. Zorlu Enerji fully complies with all the mandatory principles in the CMB's Corporate Governance Communiqué while also continuing its studies to ensure compliance with the non-mandatory principles.

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department is responsible for managing and maintaining the relations with the existing and potential shareholders, protecting and facilitating the use of shareholder rights, including first and foremost the rights to access and examine information, responding to information requests from the analysts and investors, raising the investor awareness and market credibility of the Company, and carrying out the necessary works for ensuring compliance with the capital market legislation. The Department reports to Mr. Bekir Cem Köksal, who is a member of Board of Directors.

The Investor Relations Department presents a report on its activities to the Board of Directors at least once a year. The Department submitted its report on its 2017 activities to the Board on January 5, 2018.

The individuals in charge of the investor relations are as follows:

Name	Duty	License
Başak Dalga	Investor Relations Manager and Member of Corporate Governance Committee	Capital Market Activities Advanced Level License (No: 202808) Corporate Governance Rating Specialist License (No: 700524)
Hande Ogun	Investor Relations Department Member	-

Information relating to individuals working in the Investor Relations Department was announced on the Public Disclosure Platform on June 31, 2014, December 29, 2014 and February 1, 2016.

The Investor Relations Department Performed The Following Activities During 2017:

- Ensured that the records of correspondences between the Company and the investors, and of other information and documents are kept in a proper, secure and up-to-date manner; coordinated the transactions related with Merkezi Kayıt Kuruluşu AŞ ("Central Registry Agency") jointly with the Legal Affairs Department,
- Responded to the information requests about the Company, except for confidential information and trade secrets which are not disclosed to public, in a clear and timely manner and in line with the Company's Public Disclosure Policy, either via face-to-face meetings or other various communication means,
- Responded to information requests from the equity analysts covering the Company; ensured that the analyst reports on the Company were prepared in an accurate and complete manner and would introduce the Company in the best way to investors,
- In cooperation with the related departments, ensured that the Ordinary General Assembly Meeting during the reporting period was carried out in accordance with the legislation, the Articles of Association and other internal regulations,
- Prepared the necessary documents for the General Assembly Meeting, which would be presented to the information and review of shareholders. All kinds of information and announcements which could affect the exercise of the shareholder rights were posted in a timely manner on the Company website for the information of shareholders,
- Updated the corporate website regularly to provide shareholders with constant access to accurate, complete, and up-to-date information,
- Following each quarterly reporting period, prepared an analytical study which compares the financial results and share price performance of the Company with those of its domestic peers traded on BIST and presented it to the upper management,
- Monitored the fulfillment of obligations arising from the capital market legislation, including corporate governance and all aspects of public disclosure, followed up the relevant processes by making the necessary internal disclosures, monitored and ensured timely delivery of public announcements pursuant to the Company's Public Disclosure Policy and the legislation,
- Held informative meetings with analysts and domestic and international investors about the Company's operations, financial performance and other developments during the reporting period,
- Organized an analyst meeting for brokerage houses and portfolio management companies, attended an investor roadshow in Turkey and held 41 meetings in total with investors and analysts either via telephone or face to face throughout the year,
- Made a total of 247 material event disclosures during the year within the scope of public disclosure under CMB regulations. All the material event disclosures were published simultaneously on the Company's website.

2.2. Exercise of Shareholders' Right to Obtain Information

- The Company's Articles of Association does not contain any provision, which eliminates or restricts the shareholders' right to access and examine information, which is recognized by the legislation.
- During the year, the information requests received from the analysts and shareholders were responded to in a coherent, clear and detailed manner, in accordance with the Company's Disclosure Policy and if necessary, after consulting with the most relevant person in the related subject matter, and all the inquiries except those related to trade secrets were replied to as soon as possible and in an effective

manner. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders.

- During 2017, developments which might have an impact on the exercise of shareholders' rights were disclosed to the public through the material event disclosures made on the Public Disclosure Platform and via the Company website. Material event disclosures and any information of interest to shareholders were also provided in English on the Company website to inform the international investors.
- To facilitate the exercise of the shareholders' right to access and examine information, which lie among the most essential rights of the shareholders, the Company renewed the design and expanded the content of its corporate website to ensure that both domestic and international investors have an easy access to the highest amount of information within the shortest period of time in an accurate, quick, simultaneous, complete and comprehensive manner. The Company includes all the information required by the CMB's Corporate Governance Principles on its corporate website. Updating and monitoring of the website are the responsibilities of the Investor Relations Department.
- The Company's Articles of Association does not contain any clauses which prohibit special audit. Since this right is granted by the applicable laws to the minority shareholders, it was not deemed necessary to further stipulate it in the Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period. The Company's activities are periodically audited by an independent audit company which is appointed by the General Assembly upon the proposal of the Board of Directors.

2.3. General Assembly Meetings

- The Company's General Assembly Meetings are held in compliance with the principles listed under the "General Assembly" heading of the Corporate Governance Principles.
- Zorlu Enerji held its Ordinary General Assembly Meeting for the year 2017 on May 16, 2017 at 14:30 pm at the address of Raffles İstanbul Levazım Mahallesi, Koru Sokak No: 2, Zorlu Center, 34340 Beşiktaş, İstanbul in accordance with the Company's Articles of Association.
- Invitation for the meeting was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette No. 9309 and dated April 19, 2017, and also by being posted on the Public Disclosure Platform, E-General Assembly System of the Central Registry Agency and the Company's website at "www.zorluenerji.com.tr", by announcing the date and the agenda of the meeting. In order to facilitate attendance to the General Assembly Meeting, all the information and documents concerning the Ordinary General Assembly Meeting, including the meeting invitation and the General Assembly Information Document, were posted on the Company's website. With the General Assembly Information Document prepared in accordance with the Corporate Governance Principle no. 1.3.1, access was given to all the necessary information about the General Assembly Meeting required by the regulations, and the relevant documents were also made available in hard copy for the review of shareholders at the Company's headquarters. A sample power of attorney form was also made available for the use of the shareholders on the Company website.
- Out of the total 200,000,000,000 shares corresponding to the Company's total share capital of TL 2,000,000,000, 1,438,082 shares corresponding to TL 14,380.8205 in capital were represented in person, and 165,021,088.228 shares corresponding to TL 1,650,210,882.285 in capital were represented by proxy at the meeting, thus fulfilling the quorum requirement stipulated by the law and the Company's Articles of Association.
- The agenda of the meeting was prepared in such a way that, each proposal was given under a separate heading and the headings were expressed clearly and in a way which will not lead to different interpretations. The care was shown for the agenda to not to include phrases such as "other" and "various" and the information to be provided prior to the General Assembly Meeting was given with a reference to the related agenda items.

- Prior to the Ordinary General Assembly Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not request to add any items to the agenda.
- In accordance with the "Communiqué on the Electronic General Assembly System to be Implemented in the General Assembly Meetings of Joint Stock Companies", published in the Official Gazette dated 29.08.2012 and numbered 28396, shareholders were granted the right to attend and cast vote at the Ordinary General Assembly through electronic media.
- The Company's Articles of Association contains no provisions for the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the 2016 Ordinary General Assembly Meeting while there was no attendance either from the other stakeholders or the media.
- It was ensured that the Board members who were related to the significant agenda items of the General Assembly, other relevant persons and officers who had responsibility in the preparation of the financial statements as well as the independent auditor were present at the General Assembly Meeting so that they could provide the necessary information and answer the questions about the important subjects on the agenda.
- At the Annual General Assembly Meeting, agenda items were conveyed in a clear and coherent manner and shareholders were given the opportunity to express their opinions and pose questions under equal conditions. The shareholders did not pose any questions irrelevant to the agenda or so detailed that they could not be answered immediately during the meeting. Board members and senior managers provide the necessary answers to the questions coming from the shareholders at the General Assembly Meeting. The questions raised during the meeting and the answers provided were disclosed to the public via the Company's website.
- Shareholders were informed about the donations made by the Company in 2016, which amounted to TL 1,418,933.11, as a separate agenda item at the General Assembly Meeting.
- Pursuant to the Article 19 of the Capital Market Law No. 6362, the Company's donation limit for the year 2017 was determined by the Board and this has been submitted to the approval of the Ordinary General Assembly.
- In 2017, there has not been any transaction which required the approval of the majority of the independent Board members for the Board of Directors to take a decision and where the decision was left to be resolved by the General Assembly.
- Within the knowledge of our Company, the controlling shareholders, Board members, executives with administrative responsibilities and their spouses and relatives by blood or marriage up to second degree did not conduct any material transaction which may lead to a conflict of interest with the Company or its subsidiaries and/or did not carry out a commercial business transaction which is in the same field of activity with the Company or its subsidiaries on behalf of themselves or for a third party or did not become an unlimited shareholder in another company which operates in the same field of activity with the Company or its subsidiaries during the year. There were also no transactions conducted by individuals, who have access to the Company information in a privileged way, on their behalf within the scope of the Company's field of activity.
- The minutes of the General Assembly Meeting and the list of attendees were disclosed to the public via the Public Disclosure Platform on the same day with the General Assembly Meeting. The minutes of the General Assembly Meetings and the list of attendees are made available for the examination of shareholders at the Company's headquarters and at the address of Levent 199 Büyükdere Cad. No: 199 34394 Şişli/Istanbul. All the announcements, documents and other materials related to the General Assembly Meetings are accessible to shareholders and all other stakeholders on the Company website.

2.4. Voting Rights and Minority Rights

- At Zorlu Enerji, the practices which impede the exercise of shareholders' right to vote are avoided and each shareholder, including the international shareholders, is given the opportunity to exercise his/her voting right in the easiest and most convenient way. In this context, according to the Article 10 of the Company's Articles of Association titled the General Assembly Meetings, shareholders who are entitled to attend the Company's General Assembly Meetings are given the right to participate in these meetings via the electronic media as per the Article 1527 of the Turkish Commercial Code.
- According to the Company's Articles of Association, no group or shareholder is granted privileges with respect to voting. Each share has 1 (one) voting right in the Ordinary and Extraordinary General Assembly Meetings. However, Group A shareholders have the privilege to nominate candidates for election to the Board of Directors.
- There is no provision in the Company's Articles of Association which prevents a non-shareholder from voting as a representative by proxy.
- There are no cross-shareholding relationships in the Company's share capital and therefore, this issue was not put to vote at the General Assembly Meeting.
- The Company's Articles of Association does not contain any specific arrangements for shareholders representing less than one twentieth of the Company's share capital, apart from the rights given by the law. However, two independent members serve on the Board of Directors to represent the interests of all shareholders and stakeholders, particularly of the minority shareholders.

2.5. Right to Dividends

- There is no privilege granted to shareholders regarding the distribution of dividends. Each share is entitled to an equal dividend.
- The Company's Dividend Distribution Policy, which has been put in place by the Board of Directors' resolution no. 2007/9 and dated 7 May 2007, has been amended in line with the CMB's Communiqué on Dividends (II-19.1). The Policy was submitted to the approval of shareholders at the 2013 Ordinary General Assembly Meeting and was also made available for the information of shareholders on the Public Disclosure Platform and the Company website.
- The Company's Dividend Distribution Policy, which has been accepted by the Board of Directors and disclosed on the Public Disclosure Platform and the Company website, stipulates the ratio of dividend payouts which can be distributed in cash and/or in the form of bonus shares as minimum 25% of the net distributable profit, which will be reviewed by the Board each year depending on the domestic and global economic conditions, and the Company's growth and investment plans and financial position.
- As described in the Company's Articles of Association, the date and the method of profit distribution are decided by the General Assembly upon the proposal of the Board of Directors prepared in compliance with the Capital Market Law and provisions of other relevant legislation.
- Information required by the applicable legislation regarding the Dividend Distribution Policy and dividend distribution is provided in the annual report each year. Dividend Distribution Policy was also announced to the public through the Company website.
- As per the Board of Directors' resolution dated April 17, 2017, shareholders were informed with a separate agenda item at the 2016 Ordinary General Assembly Meeting that no profit distribution would be made as the Company recorded TL 4,503,000 of net loss in its consolidated financial statements prepared in line with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TMS/TFRS") and the CMB's Communiqué on "the Principles of Financial Reporting in Capital Markets" No. II-14.1, and TL 57,667,000 of net loss in its financial statements prepared as per the Tax Procedure Law.

2.6. Transfer of Shares

- Transfer of shares: Since the Company operates in a regulated market, in order to achieve compliance with the obligations enforced by the relevant laws and regulations of the Energy Market Regulatory Authority ("EMRA"), the Article 6 of the Company's Articles of Association stipulates that "Within the term of the preliminary license and until obtaining the generation license, no direct or indirect change in the Company's ownership structure, transfer of shares and share certificates or transactions which result in a share transfer can be carried out except for inheritance or bankruptcy reasons and exceptional circumstances defined in the Article 57 of the Energy Market License Regulation. The mentioned provision is not applicable for the share transfer transactions which are conducted on the stock market. After obtaining the generation license, approval of the Energy Market Regulatory Authority must be obtained each time - prior to the realization of the transaction - for the transfer of shares or share certificates where the control in the Company's ownership structure changes regardless of the ownership changes mentioned above, upon acquisition of the shares representing five percent or more of the Company's share capital, directly or indirectly by a real or a legal person. The mentioned provision shall not apply for the share transfer transactions which are conducted on the stock market. The transfer of the Company's shares is allowed on the condition that the provisions of the Turkish Commercial Code, Capital Market Legislation, Energy Market Legislation and this Articles of Association are reserved". The Article 15 of the Company's Articles of Association also stipulates that "Following the receipt of the generation license, the approval of the Energy Market Regulatory Authority must be obtained for amending the provisions of the Articles of Association related with the type of the Company's share certificates and share transfers, mergers and spin-offs and reduction of the Company's share capital".

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

The Company's Public Disclosure Policy, which was prepared in accordance with the CMB's Communiqué on Material Events Disclosure No. II-15.1 and Corporate Governance Principles, regulates which information will be disclosed to public beyond statutory requirements, the methods, frequency and channels of such disclosure, as well as the procedures to be followed by the Company in responding to incoming inquiries. The Disclosure Policy is published on the Company's website under the "Corporate Governance" section.

Monitoring and supervising every aspect of public disclosure is among the responsibilities of the Investor Relations Department and the managers responsible for financial reporting and management.

In 2017, 247 material event disclosures were made in total pursuant to the CMB regulations. All material disclosures were made on time and were also published simultaneously on the Company website.

In 2017, as per the amendment to the Article 24 of the CMB's Communiqué on Material Events Disclosure No. II-15.1, "Zorlu Enerji Elektrik Üretim AŞ Public Disclosure Procedure", which sets out the necessary procedures for the Company's public disclosures, was prepared and put into effect by the Board of Directors' decision dated October 11, 2017.

3.1. Corporate Website

- The Company has an easily accessible and active website for public disclosure. The website was set up to ensure that shareholders, stakeholders as well as the general public are kept informed in an open, clear and simultaneous fashion. Information presented on the website is regularly updated.
- Company's web address is "www.zorluenerji.com.tr". Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1st paragraph of the Article 1524 of the Turkish Commercial Code, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements which are required to be made by the Company under the Law and to information society services, the Company procures Central Database Service Provider support services from the Central Registry Agency and the announcements which are required to be made by the Company by Law can be accessed through the e-Company Information Portal of the CRA.

- The Company's website contains the required information stipulated in the CMB's Corporate Governance Principles and the Turkish Commercial Code.
- The information provided on the Company's website is the same and consistent with the disclosures made pursuant to the provisions of the applicable legislation, and does not contain any contradicting or missing information.
- Majority of the information on the website is also available in English in order to provide information to international investors.

3.2. Annual Report

- The Company's annual and interim reports are prepared in accordance with the Turkish Commercial Code and related legislation, the Capital Market legislation, and hence, Corporate Governance Principles, and in sufficient detail to give the public access to complete and accurate information about the Company's operations and activities.
- Moreover, the Board of Directors' Annual Report is prepared in accordance with the provisions of the "Regulation on the Determination of the Minimum Contents of the Companies' Annual Reports", published in the Official Gazette dated 28.08.2012 and numbered 28395.
- The annual report is prepared in both Turkish and English and published on the corporate website.

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

- Stakeholders are individuals, institutions or interest groups, such as employees, creditors, clients, suppliers and various non-governmental organizations, which/who are related with the achievement of goals or activities of the Company. The Company safeguards the rights of stakeholders, which are set by the legislation and mutual agreements, in its transactions and operations. In cases where these rights are not protected by law and mutual agreements, utmost care is shown to protect stakeholders' rights in good faith and within the Company means.
- Stakeholders are regularly informed about the matters related to them in accordance with the Company's Public Disclosure Policy.
- The Company has an intranet system to keep its employees informed, where Company-related information can be accessed subject to limits of authorization. All types of information related to employees are available in detail on the intranet.
- The shareholders and investors are informed via specified means and in line with the Capital Market Law and CMB regulations.
- The Company conducts its activities and operations in a customer- and quality-oriented manner and pays utmost attention to customer satisfaction.
- Customers are informed through monthly energy consumption bills. Also, as part of the legal provisions, customers are notified of the operations undertaken via certified mail.
- The Company also employs its technological infrastructure solutions to inform customers through the respective websites of its related companies, as well as via the SMS, social media and e-mail. Additionally, service points also serve as customer information points.
- Local authorities are notified of the Company's activities without delay and joint studies are carried out in cooperation with the said authorities.

- Zorlu Enerji aims to ensure that its power plants are integrated into the region and embraced by the local communities, with whom the Company strives to establish a mutual dialogue. To this end, the Company organizes visits and meetings for informing the local communities in related regions before commencing a new project.
- In the event of any conflict of interest between stakeholders, or where a stakeholder is involved in more than one interest group, the Company pursues a balanced policy to the extent possible with the aim of protecting each individual right independently from each other.
- The stakeholders can report the Company's transactions violating legislation or not compliant with the ethical rules to the Corporate Governance Committee, Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

4.2. Stakeholders' Participation in Management

- Models supporting the participation of stakeholders, primarily of employees, in company management are developed in a manner not to hinder the activities of the Company. Besides, the independent members serving on the Board of Directors guarantee that not only the Company and the shareholders, but also all the stakeholders are represented in management.
- The employees of the Company can convey their complaints and suggestions to the Human Resources Department through the "I have an idea" section on the Company's intranet system.
- Employees working in the area of electricity distribution endeavor to improve their business models through working groups under the approval of the management. Province-level directors share the results of these studies with their personnel, and inform the working groups of any suggestions they receive from their staff.
- In making important decisions with regard to stakeholders, senior executives representing stakeholders are invited to Board meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in the Board and senior executive meetings at certain intervals so that they can provide their opinions first-hand.
- The Company has platforms through which it can exchange ideas and information with its key stakeholders at least once a year. The Company regularly carries out employee and customer satisfaction surveys, holds consultation meetings with the public and regulatory agencies and organizes stakeholder engagement meetings for the residents living in the vicinity of its operational plants or project sites, to enable local people to assess the environmental and social impacts of the Company's activities and to share their opinions and suggestions. The feedback received during these meetings and visits is integrated into Zorlu Enerji's investment and business plans.
- Customer perception and expectations are measured through customer surveys and based on the results of these surveys necessary actions are taken. In addition to these surveys, customers can convey their complaints and suggestions through the Call Center which operates on a 24/7 basis, via e-mails to sales-operations teams, and through the corporate website. Calls made to the Call Center are screened for quality to ensure continuous monitoring of employee and customer channels. Practices that might result in customer dissatisfaction are identified proactively and preventative measures are taken accordingly.
- Complaints received are recorded and followed up under a unique tracking number. The assessment and finalization of complaints as well as notifications made to customers during and after the process are regulated by the relevant legislation. Improvements and preventative projects that focus on the root cause of the complaints are then initiated to prevent further dissatisfaction. The system is continuously improved through employee trainings, system evaluations, complaint management, and customer satisfaction analyses.

4.3. Human Resources Policy

- The Company's Human Resources Policy is set forth in writing and covers all the issues pertaining to recruitment, appointment, promotion and horizontal progression, dismissal, training and performance evaluation systems. Through the Human Resources Policy, employees were informed about their job descriptions.
- No representative has been appointed to manage the Company-employee relations. The representation of employees in management is achieved by the presence of two independent Directors on the Board.
- Training activities are carried out to support the professional and personal development of employees and employees are given the opportunity to choose their training programs via the Training Cards in line with their needs. A Company Training Portal providing a comprehensive view of the training activities in parallel with career-path planning is accessible to all employees.
- All employees are treated equally and without any discrimination whatsoever in all matters involving training, career development and promotion. There were no complaints from the employees related to discrimination.

4.4. Code of Ethics and Social Responsibility

- In all of its activities, Zorlu Enerji takes into consideration the principles stated in the United Nations Global Compact, which has been signed by Zorlu Holding and binds all the Zorlu Group companies.
- The Company's Code of Ethics has been put into writing and communicated to employees via the corporate website. Utmost care is taken to ensure compliance with the Code of Ethics which is formulated for the Company, the Board and its employees.
- Zorlu Enerji carries out its operations not only by taking into account its economic interests, but also by fulfilling its environmental, social and economic responsibilities in line with its sustainability strategy. In this context, keeping environmental sustainability in its focus; the Company combines Turkey's rich and unexploited renewable energy resources with high technology, continuously expands its investments in renewable energy and directs its investments with active and effective stakeholder engagement. Making its investment decisions based on this understanding, renewables account for 76% of Zorlu Enerji's generation portfolio in Turkey. Aware of its environmental and social responsibilities, Zorlu Enerji will continue to invest in domestic and renewable energy resources in order to contribute to Turkey's renewable energy transformation and capitalize on the arising opportunities in the transition to a low carbon and self-sufficient economy.
- The Sustainability Board, which was established within Zorlu Enerji Group in 2015, prepared the Company's strategy and action plan for sustainability. Within the scope of this strategy and action plan, Zorlu Enerji carries out studies for the measurement, monitoring and improvement of the impacts of its operations. During 2016, the Company had all the necessary legal inspections carried out at its power plants and projects concerning their environmental impacts. According to these inspections, no material violations of environmental protection have been detected and the Company's activities are carried out in compliance with the requirements of the domestic environmental policies and international agreements, and within the framework of environmental awareness.
- The Company takes into consideration the domestic and global threats when prioritizing its economic, social and environmental impacts. Prior to taking investment decisions, the economic, social and environmental impacts of the planned investment on all stakeholders are taken into account from different perspectives. For this purpose, economic, social and environmental impact assessment studies are carried out at international standards. Depending on the results of these assessments, sustainability risks related to the investment are analyzed, impact mitigation and management plans are prepared by conducting a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis and investment decisions are made taking into account the results of these studies.

Conducting all of its operations with an approach focused on sustainability, Zorlu Enerji carries out environmental impact analyses and assessments to ensure environmental sustainability. The Company takes into account the results of these studies in:

- Selection of the investment site,
- Selection of the technology to be employed,
- Continuous monitoring and assessment of the impacts of the investment during the investment and operation phases,
- Keeping the impacts of the investment below the maximum levels stipulated in national and international regulations,
- Devising an environmental management plan in order to mitigate the impacts of the investment and developing and implementing additional projects, if necessary.

In this context, in order to monitor, assess and reduce environmental impacts, environmental impact analysis and monitoring studies are carried out via biodiversity surveys and biodiversity monitoring and conservation programs, mammalogy and ornithological surveys, ecosystem assessments, habitat restorations, landscape repair and restoration plans and implementations, re-forestation and planting activities and tree transplantation, if necessary. The Company carries out environmental and social investments based on the data obtained through these studies.

- In social impact assessments, the social and economic impacts of the Company's investments are analyzed and management plans and programs are developed and implemented in order to reduce the adverse effects of these investments. Within the scope of these plans and programs a wide range of activities are carried out such as;
 - Projects to increase the quality of life of local people,
 - Stakeholder engagement plans,
 - Stakeholder and public engagement meetings,
 - Internal and external stakeholder complaint mechanisms,
 - Procedures for incidental discovery of historical, cultural and natural heritage,
 - Rural development grants,
 - Provision of scholarships for 334 students under scholarship programs,
 - Provision of materials and machinery support to local governments for improving the local infrastructure,
 - Supporting amateur sports in investment regions,
 - Supporting traditional festivals, which have an important part in agricultural, economic and cultural life,
 - Development and implementation of projects aimed at addressing the problems with priority in investment regions in cooperation with local authorities,
 - Give a Shot to Life (Hayata Smaç) Project,
 - Give Life a Hand (Hayata El Uzat) Project,
 - Supporting local cultural activities,
 - Support for access to clean water in villages and
 - Improving the educational circumstances in villages where Zorlu Enerji invests and supporting successful students in these regions through social responsibility projects such as Our Energy is for Children and Our Energy is for Village Schools.
- Zorlu Enerji gives utmost importance to raising children's energy awareness. The "Our Energy is for Children" project, which was launched in 2010 and reached 200,000 children all around Turkey in seven years, was restructured in 2015. Zorlu Enerji expanded the scope of the project, which is the first nationwide energy education project carried out by an energy company in Turkey, in the 2015-2016 academic year and reached 7,343 students and 351 teachers in 130 schools in 5 regions where it operates in collaboration with the National Education Directorates. The Company strives to equip children with the accurate information about strategic resources such as energy by supporting the energy related content contained in the curriculum of the third and fourth grades with the "Our Energy is for Children" project.

- The Company gives importance to ensuring that its projects are embedded into the relevant region and are embraced by the local public and to improving communication with stakeholders. To this end, prior to the commencement of a project, Company representatives hold informative meetings with local public in order to provide information about the project. Within this framework, stakeholder engagement meetings were held for the Alibeyhöyüğü Solar Power Plant and Alaşehir III Geothermal Power Plant Projects and stakeholder visits were carried out for the İkizdere Hydroelectric Power Plant, Alaşehir I Geothermal Power Plant, Kızıldere I and II Geothermal Power Plants, Gökçedağ Wind Farm, and Saritepe and Demirciler Wind Farms in 2017. Feedback, which was received from the stakeholders during these meetings and visits, was incorporated into Zorlu Enerji's investment and operation plans.
- Moreover, surveys are conducted to determine the socio-economic status of local people and the impacts of the project on the environment and community life during the investment phase. In this context, environmental and social impact analysis studies were continued for the Kumpınar Thermal Power Plant and the Kızıldere IV Geothermal Power Plant Projects, which are in project development phase, and for the Kızıldere III Geothermal Power Plant Project, which is in investment phase, during 2017.
- In line with the Company's environmental policies, the mammalogy and ornithological monitoring studies for the Gökçedağ Wind Farm and Saritepe and Demirciler Wind Farms were continued in 2017. In addition, Turkey's biggest fruit tree transplantation, which was initiated as part of the Kızıldere III Geothermal Power Plant investment in 2016, was completed and reported.
- Zorlu Enerji was the first energy company in Turkey which measured its carbon footprint in 2009. Zorlu Enerji was also the first company in the energy sector to obtain the ISO 14064-1 Greenhouse Gas Emission Standard Certificate and to report and transparently share its carbon footprint with the public on a yearly basis by joining the Carbon Disclosure Project (CDP). As part of these efforts, which continued in 2017, ISO 14064-1 Greenhouse Gas Emission Standard was implemented across the Company's entire geothermal power plant portfolio. Zorlu Enerji was awarded the CDP Turkey "Carbon Disclosure Leadership Award" in 2011, 2013, 2014 and 2017.
- In 2017, the Company joined the CDP Water Program together with one of its subsidiaries and initiated ISO 14046 Water Footprint Quality Standard studies. As part of the program led by CDP Turkey, Zorlu Enerji and Zorlu Doğal were awarded the CDP Turkey 2017 Climate Leadership Award after receiving a grade of "A-" in the 2017 report and being included in the leaders' class.
- Regarding environmental protection, the Company also holds the ISO 14001 Environmental Management System Certification, ISO 9001:2000 Quality Management System Certification and OHSAS 18001 Occupational Health and Safety System Certification. It is also about to complete the ISO 27001 Information Security Certification process launched in 2015.
- Zorlu Enerji was the first company in the energy sector to publish a sustainability report in 2011 and its second Sustainability Report issued in 2012 earned Level A rating from GRI, which was a first in the sector. The report was also one of the 24 reports issued by the energy companies in the world at GRI Level A. Taking place among the first three companies preparing reports at this level in Turkey and the first to do so in the energy industry, Zorlu Enerji published its fourth sustainability report pertaining to the 2014-2015 period in 2016. The report was drawn up in GRI Level A based on G4 criteria and received approval. The Sustainability Report is available in both Turkish and English on the Company's website at www.zorluenerji.com.tr. The Company is in the process of preparing for the fifth sustainability reporting period which covers the years of 2016 and 2017.
- Zorlu Enerji's endeavors in the fight against climate change include increasing the share of renewable energy resources in its generation portfolio in Turkey to 76% level, its membership to the Climate Platform, the Zero Carbon Footprint Forests Project, CDP reports, ISO 1464-1 and ISO 14046 Quality Systems implementation, Gold Standard certification for Gökçedağ WPP, Saritepe and Demirciler WPPs as well as participation in voluntary carbon markets.
- The Company's Gökçedağ Wind Farm and the Saritepe and Demirciler Wind Farms, both of which were commissioned in 2016, were awarded with the Gold Standard Certificate for their contribution to reducing

greenhouse gas emissions and to sustainable development and their acceptance by the local stakeholders.

- Launched in 2012 within the scope of corporate social responsibility activities, the "Zorlu Enerji Group Volunteers" initiative is the Company's corporate volunteering organization, which supports employees in developing social volunteering projects. The Company's Volunteering Employees donated winter clothing items to more than 500 students in the regions where the Company's Erzurum Kuzgun and Tunceli Mercan Hydroelectric Power Plants are located, under the scope of the "Our Energy is for Village Schools" project in 2017. In addition, donations were raised through the participation of 150 employee volunteers in the September Project for Children with Cerebral Palsy and in the Intercontinental Istanbul Marathon in cooperation with the Hope Foundation for Children with Cancer (KAÇUV). Furthermore, the Company supported the treatment of children with autism by covering the annual electricity cost of the head office and treatment centers of the Tohum Autism Foundation in Istanbul, and it also participated in the Vocational High School Coaching Program organized by the Association of Private Sector Volunteers with five volunteer employees to contribute to the personal and professional development of vocational high school students.

PART V - BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

- At the Company's 2016 Ordinary General Assembly Meeting held on May 16, 2017, it was decided that the number of the members of the Board of Directors would be nine and Mr. Zeki Zorlu, Mr. Ahmet Nazif Zorlu, Mr. Olgun Zorlu, Mrs. Selen Zorlu Melik, Mr. Mehmet Emre Zorlu, Mr. Bekir Cem Köksal and Mr. Burak İsmail Okay would be elected as Board members and Mr. Ali Akın Tarı and Mr. Hacı Ahmet Kılıçoğlu as the independent Board members to serve until the 2017 Ordinary General Assembly Meeting.

The composition of the Company's Board of Directors is as follows:

Member	Duty	Term of Office	Other Positions Held Within Zorlu Group	Positions Held Outside Zorlu Group	Status
Zeki Zorlu	Chairman	Until 2017 Ordinary General Assembly Meeting	Vice Chairman - Zorlu Holding, Chairman - Zorlu Group companies operating in textile and energy sectors	-	Non-executive
Ali Akın Tarı	Vice Chairman	Until 2017 Ordinary General Assembly Meeting	Vice Chairman - Vestel Elektronik San. ve Tic. AŞ, Board Member - Vestel Beyaz Eşya San. ve Tic. AŞ	Board Member and Audit Committee Member - Dilerbank, Board Member - Diler Holding	Independent
Ahmet Nazif Zorlu	Board Member	Until 2017 Ordinary General Assembly Meeting	Chairman - Zorlu Holding, Chairman or Vice Chairman - Zorlu Group companies	-	Non-executive
Olgun Zorlu	Board Member	Until 2017 Ordinary General Assembly Meeting	Board Member - Zorlu Holding and Zorlu Group companies	-	Non-executive

Selen Zorlu Melik	Board Member	Until 2017 Ordinary General Assembly Meeting	Board Member - Zorlu Group companies	-	Executive
Mehmet Emre Zorlu	Board Member	Until 2017 Ordinary General Assembly Meeting	Board Member - Zorlu Group companies	-	Non-executive
Bekir Cem Köksal	Board Member	Until 2017 Ordinary General Assembly Meeting	Head of the Financial Affairs Group - Zorlu Holding, Member of the Executive Committee - Vestel Group of Companies	-	Executive
Hacı Ahmet Kılıçoğlu	Board Member	Until 2017 Ordinary General Assembly Meeting	Vice Chairman - Vestel Beyaz Eşya San. ve Tic. AŞ, Board Member - Vestel Elektronik San. ve Tic. AŞ	Board Member - Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding	Independent
Burak İsmail Okay	Board Member	Until 2017 Ordinary General Assembly Meeting	Head of Legal Affairs Group - Zorlu Holding	-	Non-executive

Zeki ZORLU **Chairman**

(1939 - Denizli) Zeki Zorlu began his professional career in a family owned textile company in Babadağ, Denizli. Having opened his first textile store in Trabzon, Mr. Zorlu laid the foundations of Korteks in Bursa in 1976. One of the co-founders of Zorlu Holding along with his brother Ahmet Nazif Zorlu, Mr. Zorlu added Vestel to the Holding's portfolio in 1994 while also playing a leading role in the formation and acquisition of a large number of other companies operating in energy, tourism, and real estate sectors. In addition to being the Chairman of Zorlu Enerji, Mr. Zorlu is also the Deputy Chairman of Zorlu Holding and the Chairman of other Zorlu Group companies active in textile and real estate sectors. Zeki Zorlu also plays an active role in non-governmental organizations. He is the Vice President of the Union of Chambers and Commodity Exchanges of Turkey's Textile Industry Assembly. Mr. Zorlu served as a Board member at Bursa Industrialists' and Businessmen's Association for two years; and is currently a member of the International Patent Union, Bursa Disaster Prevention Recovery Association, Uludağ University Support Foundation, Quality Association, Artificial & Synthetic Yarn Manufacturers' Association, Bursa Research Foundation and International Competition and Technology Association.

Ali Akın TARI **Vice Chairman**

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tarı served as a Tax Inspector and a Chief Tax Inspector at the Ministry of Finance between 1972 and 1986. He was appointed as the Vice-President of the Tax Inspectors Board in 1986 and Group Head of the Istanbul Tax Inspectors Board in 1989,

and continued to serve in this position until he was appointed as a Board Member to the Banking Regulation and Supervision Agency in 2001. Ali Akın Tarı was also elected as a Board Member to the Savings Deposit Insurance Fund in addition to being a Board Member of the Banking Regulation and Supervision Agency in the same year. He left his position at the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tarı served in this position until 2007, when he voluntarily left his position in the public sector to work in different areas in the private sector. Mr. Tarı became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008; in addition to this position, he was appointed as a member of the Board of Directors of Diler Holding in 2011. Besides being the Vice Chairman of Zorlu Enerji, Mr. Tarı also serves on the Boards of two other Zorlu Group companies namely, Vestel Elektronik and Vestel Beyaz Eşya. Mr. Akın Tarı is a chartered accountant and an independent auditor.

Ahmet Nazif ZORLU
Board Member

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadağ. He opened his first textile store in Trabzon, later in 1970 Mr. Zorlu moved the Company's headquarters to Istanbul and laid the foundations of Zorlu Holding with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all of his companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu opened the door to new lines of business for Zorlu Holding. Zorlu's entrepreneurialism which began with the textile industry went on to manifest itself in more companies operating in a wide range of industries, such as household appliances, electronics, energy, property development, metallurgy and defense.

With a keen interest in civil society organizations, Ahmet Zorlu is a member of the Board of Directors of the Foreign Economic Relations Board, the Turkish Industry and Business Association, the Education and Culture Foundation of the Society of Denizli, the Babadağ Industry and Business Association, and the Turkish Home Textile Industrialists and Businessmen Association.

Olgun ZORLU
Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom with degrees in Textile and Business Administration, Mr. Olgun Zorlu began his professional career in 1986. He has started to serve in managerial positions at various Zorlu Group companies in 1988 and managed their foreign market research and business development operations. Mr. Zorlu began serving as a Board Member at Zorlu Holding in 1998. In addition to his Board membership at Zorlu Enerji, Mr. Zorlu also serves as a Board member at Zorlu Holding and various other Zorlu Group companies.

Selen ZORLU MELİK
Board Member

(1975 - Trabzon) Selen Zorlu Melik graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration at Uludağ University. She began her professional career at Denizbank in 1998. Following her internship at Denizbank Bursa Branch, she joined the Management Trainee Program in the same bank in 1999. After working in a number of positions at the Denizbank head office, Mrs. Zorlu Melik attended a Marketing Certificate Program at the University of California, Berkeley, USA in 2001. She subsequently started to work at Korteks Yarn Plant in 2002 and became a board member of the same company in 2004. Mrs. Selen Zorlu Melik has been serving as a Board Member at Zorlu Enerji Elektrik Üretim AŞ since 2005.

Mehmet Emre ZORLU
Board Member

1984 - Istanbul) Mehmet Emre Zorlu graduated from the Department of Electrical and Electronics Engineering at Koç University in 2006. He went on to complete a master's degree in Innovation and Technology Management from the University of Essex in the United Kingdom in 2007 and 2008. Mr. Zorlu began working at the Vestel Group of Companies in 2009. In addition to his position as a Board Member at Zorlu Enerji, Mr.

Zorlu also serves as a Board Member at Zorlu Holding and its affiliated companies. Mehmet Emre Zorlu is a member of the Young Businessmen Association of Turkey (TÜGİAD) and Endeavor Turkey.

Bekir Cem KÖKSAL
Board Member

(1967 - Ankara) Bekir Cem Köksal graduated from the Department of Mechanical Engineering at Boğaziçi University in 1988 and obtained a master's degree from Bilkent University in 1990. He subsequently worked in the banking industry, between 1990 and 2001. In 1997, he was appointed as an Assistant General Manager at Denizbank, and in 2002 he joined Vestel as the Chief Financial Officer. Mr. Köksal currently serves as the Executive Committee Member in charge of Finance at Vestel Group of Companies and as the Head of the Financial Affairs Group at Zorlu Holding AŞ. Cem Köksal was elected as the Board Member of Zorlu Enerji Elektrik Üretim AŞ at the 2011 Annual General Assembly held on 31 May 2012, and has been serving in this position since then, by being reelected every year.

Hacı Ahmet KILIÇOĞLU
Board Member

(1956 - Giresun) Ahmet Kılıçoğlu graduated from the University of Essex with a Bachelor's degree in Economics in 1977 and a Master's degree in Economics in 1978. He began his professional career at the Ministry of Industry and Technology in 1979 and continued his career as an Assistant Specialist at Türkiye İş Bankası in 1980. After working in the private sector for a couple of years, Mr. Kılıçoğlu held administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank in 1987, where he worked in various positions. He later served as the CEO of the Bank and as a Board Member between 1998 and 2010. He also served as a Board Member at the Banks Association of Turkey between 1998 and 2010 and was elected as the President of the World EximBanks Union (The Berne Union) in 2001. Mr. Kılıçoğlu also served as a Consultant to the President at the Islamic Development Bank between 2008 and 2009 and as a Vice Chairman at Denizbank in 2010. In addition to his position as a Board Member at Zorlu Enerji, Mr. Kılıçoğlu also serves as a Board Member at Vestel Elektronik and Vestel Beyaz Eşya, which are Zorlu Group Companies. He is also a Board Member at Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding AŞ.

Burak İsmail OKAY
Board Member

(1967 - Ankara) Burak İsmail Okay graduated from the Faculty of Law at Ankara University in 1990. After completing an International Law Certificate Program in New York, he started his professional career as an attorney in the Department of Legal Advisory at Türkiye İş Bankası. He later worked at Garanti Bankası, MNG Bank and Nortel Networks Netaş, respectively, before joining Bener Law Office as an executive. Mr. Okay joined Zorlu Group in 2006 and played an active role in the structuring of the Legal Department which serves all the Group companies. He is currently the Head of the Legal Affairs Group at Zorlu Holding and has been a Board Member at Zorlu Enerji since 2007.

İbrahim Sinan AK
General Manager/CEO of Zorlu Energy Group

(1971 - Ankara) İbrahim Sinan Ak graduated from the Department of Management Engineering at Istanbul Technical University. He started his career as an investment specialist at Evgin Yatırım Menkul Değerler. He then received his MBA from Old Dominion University in the USA. Having worked as a Finance Chief at Vestel Komünikasyon between 2000 and 2002 and as a Finance Manager at Vestel Beyaz Eşya between 2002 and 2006, Mr. Ak joined Zorlu Energy Group in 2006. He served as the Assistant General Manager in charge of Finance until 2012 and became the General Manager of Zorlu Enerji in January 2012. Sinan Ak has been serving as the CEO of Zorlu Energy Group, of which Zorlu Enerji Elektrik Üretim AŞ is a member, since 1 December 2016.

- The Company's Board of Directors is structured to provide the highest level of efficiency and effectiveness. The Company pays utmost attention to compliance with the Capital Market Law and CMB regulations in this area.
- The Board of Directors has the powers and duties set forth in the relevant articles of the Turkish Commercial Code and the Article 8 of the Company's Articles of Association.
- The Company's Board of Directors consists of nine members. Five of the nine Board members are non-executive members, two are independent members and two are executive members. In accordance with the CMB's Communiqué on Corporate Governance, there are two independent Directors on the Board who can perform their duties without being influenced.
- As set forth in the Company's Articles of Association, the Chairman of the Board and General Manager are different individuals. The Chairman of the Board is Mr. Zeki Zorlu and the General Manager is Mr. İbrahim Sinan Ak. No one in the Company has unrestricted decision-making authority.
- There are no restrictions with respect to the Board members taking up other duty or duties outside the Company, but the regulations set forth in the Corporate Governance Principles are complied with in this regard.
- Prior to the General Assembly Meeting for the year 2016, two independent Board member candidates were presented to the Corporate Governance Committee, which also fulfills the duties of the Nomination Committee. The candidates for independent board membership submitted their written statements of independence within the framework of the legislation, Articles of Association and the independence criteria set forth in the Corporate Governance Communiqué to the Corporate Governance Committee at the time of their nomination. The Committee submitted its assessment reports on whether these candidates fulfill the independence criteria to the Board of Directors on April 17, 2017. With the Board's resolution dated April 17, 2017 and numbered 2017/19, it was decided that Mr. Ali Akın Tarı and Mr. Hacı Ahmet Kılıçoğlu, who presented their statement of independence, would be submitted to the approval of shareholders at the General Assembly to become independent Board members. The Board's proposal was approved by the shareholders at the 2016 General Assembly Meeting held on May 16, 2017. Information on the independent Board member candidates was disclosed to the public with the General Assembly Information Document announced together with the General Assembly invitation.
- Statement of independence of the independent board member candidates is provided herein below:

"I hereby declare that, I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of Zorlu Enerji Elektrik Üretim AŞ within the scope of the criteria stipulated in the legislation, the Company's Articles of Association and the Capital Markets Board's Communiqué on Corporate Governance no. II-17.1, and in that regard;

In addition to not having served as a Board Member at Zorlu Enerji Elektrik Üretim AŞ (and at the subsidiaries and associates of Zorlu Enerji Elektrik Üretim AŞ) for more than six years within the last ten years and to not having served as a member of the Executive Board in the afore-mentioned companies within the last five years,

a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with significant duties and responsibilities, nor have I/we individually or jointly held more than 5% of the share capital or voting rights or privileged shares in or established a material business relationship with the same,

b) Within the last five years, I have not been a shareholder (5% and more) or held an executive position with significant duties and responsibilities or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made

during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,

c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,

d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,

e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,

f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,

g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,

h) I have not served as a Board member on the Company's Board of Directors for more than 6 years within the last ten years,

i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,

j) I am not registered and declared on behalf of the legal entity which is elected as a board member."

- Board members, Hacı Ahmet Kılıçoğlu and Ali Akin Tarı fulfill the independence criteria of the CMB Corporate Governance Principles. No circumstances occurred during 2017 to end the independence status of the independent Board members.
- Currently, one female member serves on the Company's Board of Directors and it is among the Company's medium-term targets to reach the minimum 25% ratio set in the Corporate Governance Principles for the female Board members. However, a policy has not yet been developed towards reaching this goal.

5.2. Operating Principles of the Board of Directors

- The Board of Directors conducts its operations in a transparent, accountable, and responsible manner.
- The gathering procedures for Board meetings are set forth in the Company's Articles of Association.
- Agendas for the Board meetings are determined by the Chairman following his discussions with the other Board members and the General Manager. Requests coming from the Company management are also taken into account when setting the meeting agendas.
- The Board of Directors convenes with absolute majority and resolves with the majority of those present at the meetings.
- During 2017, the Board of Directors passed 117 decisions in 44 meetings held. 109 decisions were taken unanimously and 8 decisions were taken unanimously by those who were present in the meeting.

- The Board of Directors convenes in accordance with the provisions of the Turkish Commercial Code and as required by the Company's activities and takes decisions regarding the items on the agenda. However, the Board is required to hold a meeting at least once a month. Each Board member has one voting right at the meetings.
- In line with the Corporate Governance Principles, the Company has set up a secretariat under the Board of Directors. The secretariat is responsible for keeping and archiving the minutes of the Board meetings. The secretariat also keeps Board members informed in a timely and simultaneous manner and delivers the agenda, related information and reports to the Board members in advance of the meetings.
- Reasonable and detailed justifications for dissenting votes are required to be entered into records on matters for which there were differing opinions at the Board meetings. In addition, justifications for dissenting votes cast by the independent members due to differences in opinion are disclosed to the public. However, to date, there has not been any instance of differences in opinion voiced either by the independent members or other members.
- No Board member, including the Chairman, has a preferential voting right or the right to veto the Board's decisions. Each member, including the Chairman, possesses an equal vote.
- The Board decisions relating to all kinds of related party transactions of the Company are taken with the approval of the majority of the independent board members in accordance with the Corporate Governance Principles.
- A Directors & Officers Liability Policy has been purchased to cover the potential losses which the Company may suffer due to the wrongful acts of the Board members in the execution of their duties. However, the total annual liability limit does not exceed 25% of the Company's share capital.

5.3. Number, Structure and Independence of the Board Committees

- In order to help the Board of Directors to perform its duties and responsibilities more effectively and in accordance with the CMB's Corporate Governance Principles, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up, all of which report directly to the Board. Owing to the structure of the Board, the Company has not set up a separate "Remuneration Committee" or a "Nomination Committee", the duties of which are performed by the Corporate Governance Committee.
- In accordance with the Article 4.5.3 of the Corporate Governance Principles, all the members of the Audit Committee and Chairman of the other committees are elected from among the independent members of the Board and also the Company's General Manager does not take part in the committees.
- Committee members Mr. Ali Akin Tari and Mr. Hacı Ahmet Kılıçoğlu serve on more than one committee due to the number of the Board Members and the committee formation requirements in accordance with the CMB's Corporate Governance Principles.
- Committees convene at intervals stipulated by their working principles or upon a request from a member. The information about the committees' activities and meeting minutes are presented to the Board of Directors.
- All kinds of resources and support are provided by the Board of Directors to the committees to enable them to perform their duties. Committees can invite individuals who are deemed to be necessary to their meetings in order to obtain their views.
- Duties, working principles and the members of the committees are determined by the Board of Directors in accordance with the Corporate Governance Principles and are publicly disclosed on the Public Disclosure Platform and the Company website.

Audit Committee

- Audit Committee was set up for the effective oversight of the Company's financial and operational activities pursuant to the Article 3 of the CMB's Communiqué Serial X, No: 19. The Committee is responsible for the supervision of the Company's accounting system, public disclosure of financial information, independent auditing and the operation and efficiency of the Company's internal control and internal audit system.
- The Audit Committee can obtain independent expert opinions on matters which it deems necessary with regard to its activities. The cost of such consultancy services required by the Audit Committee is borne by the Company.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Audit Committee" were revised and approved at the Board of Directors' meeting dated April 7, 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the Company website.
- The Audit Committee is structured in accordance with the CMB's Corporate Governance Principles and comprises at least two members.
- The Chairman of the committee was elected from among the independent members of the Board and certain criteria were taken into account in the election process. The Chairman of the Audit Committee is ensured to have served in a similar position previously, have the knowledge and experience needed to analyze financial statements and be versed in accounting standards.
- Both Audit Committee members were elected from among the independent Board members. The Chairman of the committee is Mr. Ali Akin Tarı, and the other member is Mr. Hacı Ahmet Kılıçoğlu.

The structure of the committee is as follows as per the decision taken at the Company's Board meeting on May 16, 2017:

Committee Members	Duty	Status
Ali Akin Tarı	Chairman of the Committee	Independent Board Member
Hacı Ahmet Kılıçoğlu	Member of the Committee	Independent Board Member

- In principle, the Audit Committee convenes at least four times a year, being once in each quarter. The Committee convened 6 times in 2017.
- The management secretariat is responsible for keeping the records of the decisions made by the Committee as well as the minutes of the meetings.
- The Committee carries out its activities in line with the working principles put into writing in detail.

In 2017, the Audit Committee performed the following functions:

- Monitoring of the Company's financial and operational activities,
- Supervision and approval of the accuracy and conformity of the annual and interim financial statements, which will be disclosed to the public, with the accounting principles employed by the Company,
- Election of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,

- Following up the effectiveness and performance of the independent audit activity,
- Supervision of the functioning and efficiency of the internal control and internal audit system,
- Conducting studies on the efficiency and adequacy of the internal control system and reporting its evaluations to the Board of Directors,
- Review and approval of the internal control and internal audit reports.

Corporate Governance Committee

- Corporate Governance Committee was established to monitor the Company's compliance with the CMB's Corporate Governance Principles, carry out studies for improvement and make proposals to the Board of Directors in order to improve the implementation of corporate governance practices.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Corporate Governance Committee" were revised and approved at the Board of Directors' meeting dated April 7, 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the Company website.
- The Corporate Governance Committee is composed of at least three members, including two non-executive Board Members and the Investor Relations Manager. The Chairman of the Committee is Mr. Ali Akin Tari, who is an independent Board member.
- Corporate Governance Committee also fulfills the duties of the Nomination Committee and the Remuneration Committee.

The structure of the Committee is as follows as per the decision taken at the Company's Board meeting on May 16, 2017:

Committee Members	Duty	Status
Ali Akin Tari	Chairman of the Committee	Independent Board Member
Mehmet Emre Zorlu	Member of the Committee	Non-executive Board Member
Başak Dalga	Member of the Committee	Investor Relations Manager

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened 4 times in 2017.
- The activities carried out by the Corporate Governance Committee in 2017, in accordance with its working principles put into writing in detail, are presented below:
 - Proposing improvements in corporate governance practices to the Board of Directors in order to enhance compliance with the CMB's Communiqué on Corporate Governance No. II-17.1; conducting and supervising the necessary works for alignment with the legislation,
 - Overseeing the activities of the Investor Relations Department,
 - Preparing the evaluation reports on the independency status of the independent Board member candidates for submission to the Board of Directors.
 - In order to achieve compliance with the amended Article 24 of the CMB's Material Events Disclosure Communiqué No. II-15.1, prepared the "Zorlu Enerji Elektrik Üretim AŞ Public Disclosure Procedure" that sets out the procedures for disclosures to be made on the PDP and submitted the same for the approval of the Board of Directors,

- Within the scope of its duties as the Remuneration Committee, presented its proposal for the remuneration of the Company's Board members and executives with administrative responsibility for 2017 to the Board, which takes into account the extent of the fulfilment of the criteria applied to remuneration.

Early Detection of Risk Committee

- Early Detection of Risk Committee was established to identify the risks which could threaten the existence, development and continuity of the Company, take the necessary measures against these risks and undertake risk management activities pursuant to the Turkish Commercial Code, the Company's Articles of Association and the CMB's Communiqué on Corporate Governance. The Committee continues its activities with regard to the early detection of threats which may negatively impact the development and continuity of the Company and manage the risks effectively by developing action plans against such threats.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Early Detection of Risk Committee" were revised and approved at the Board of Directors' meeting dated April 7, 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the Company website.
- The Early Detection of Risk Committee is composed of at least two Board members. In case the Committee has only two members, both of them, and in case, it has more than two members, the majority of them, must be non-executive Board members. The Chairman of the Committee is the independent Board member, Mr. Hacı Ahmet Kılıçoğlu. The other member of the Committee is Mr. Olgun Zorlu.
- Early Detection of Risk Committee submits a report to the Board of Directors once in every two months.

The structure of the Committee is as follows as per the decision taken at the Company's Board meeting on May 16, 2017:

Committee Members	Duty	Status
Hacı Ahmet Kılıçoğlu	Chairman of the Committee	Independent Board Member
Olgun Zorlu	Member of the Committee	Non-executive Board Member

- The Early Detection of Risk Committee convenes as frequently as necessitated for the efficiency of its activities and in principle at least three times a year. The Committee held 3 meetings and presented 6 risk reports to the Board in 2017.
- The activities carried out by the Committee in 2017, in line with the working principles put into writing in detail, are presented below:
 - High risk evaluation was carried out and a risk inventory was prepared including the strategic, financial and operational risks which are critically important for the Company. Risks were evaluated in two different ways, namely, with (residual risk) and without (inherent risk) taking into account the efficiency performance of the existing control and precaution measures.
 - Inherent and residual risks contained in the risk reports were evaluated based on a 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
 - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic Risks) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
 - As a result of these assessments, it was identified that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic Risks.

- As a result of the risk inventory and analyses carried out by the Enterprise Risk Management Department, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence, development and continuity and adoption of the necessary measures against these risks and management of risk.
- These reports were as follows:
 - o Risks in the Energy Sector 2017,
 - o Potential Risks for Solar Power Plants and Damage Scenarios,
 - o Negative Financial and Economic Indicators,
 - o Potential Risks for Wind Power Plants,
 - o Potential Risks for Geothermal Power Plants,
 - o Potential Risks for Hydroelectric Power Plants.
- Created as an output of the report titled the "Risks in the Energy Sector 2017" presented to the Board of Directors on April 25, 2017 and evaluating the impact and probabilities of risks covered in the report, the "Energy Risks Survey" was presented to senior management to drive a common approach to risk management and assessment, and it was subsequently shared across the Company through an online survey for organization-wide overview. According to the results of the survey, the three most important risks were identified as follows: "Exchange Rate Risk, Interest Rate Risk, and Geopolitical Risks".

5.4. Risk Management and Internal Control Mechanism

- Zorlu Holding Enterprise Risk Management Department was founded in 2012 with the purpose of early detecting the risks which may jeopardize the existence, development and continuity of Zorlu Enerji, taking the necessary measures against these risks, and managing the risks in a centralized manner. The Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework, which are applicable to all the Zorlu Group companies, form the basis for the Group's risk management activities.
- The Company makes intensive use of information technologies and uses the SAP system for internal control. Through the SAP system, all the integrated business processes are carried out/recorded on the information systems, thus granting increased speed and productivity to the business. Efficient use of these systems allows employees and managers to easily access all sorts of information and reports that concern them within their authority limits. Zorlu Enerji employs the SAP GRC (Governance Risk Compliance) System to monitor the risks which the Company is exposed to.
- The Company's internal control systems are evaluated with a risk-focused approach by taking into account the risks which are identified through the risk management analysis and/or during the internal control activities and by taking into account the related actions for risk mitigation. During the course of its activities carried out in line with Zorlu Energy Group's vision and mission, the Company may become exposed to risks related with the strategic goals, financial position, operational activities, legislation, occupational health and safety, and protection of assets and reputation. In order to accurately define and manage these risks, Zorlu Holding Enterprise Risk Management philosophy is summarized below:
 - Incorporating risks into the decision-making mechanisms by establishing risk awareness and risk culture throughout Zorlu Energy Group,
 - Collaborating to reveal the risks and opportunities which may have an impact on Zorlu Energy Group's targets based on a shared perception,
 - Defining and evaluating risks according to their impact and probability,
 - Proactively managing these risks through the best actions taken in accordance with the risk appetite.
- Founded on February 19, 2013, the Early Detection of Risk Committee is involved in the early detection of risks which could jeopardize the existence, development and continuity of the Group companies, implementation of the necessary measures against these risks, and management of risks for the purposes of achieving compliance with the Article 378 of the Turkish Commercial Code no. 6102 and for coordinated risk management.

- The Internal Audit Department reviews the efficiency and effectiveness of these systems at certain intervals in accordance with the approved annual plans and reports the results to the Board of Directors for necessary action. As in other Zorlu Group Companies, the effectiveness and efficiency of these systems are reviewed by the Internal Audit Department within the Zorlu Holding General Directorate of Audit and Internal Control through the audit activities carried out in line with the risk-based annual audit program. The annual audit program is approved by the Board of Directors and the findings are reported to the Board.
- Periodical meetings are held between the Internal Audit Department and the Audit Committee, where planned and actual audits during the year are evaluated and the findings are shared. At these meetings, necessary action plans and follow-up results for these actions as well as plans for the following period are also reviewed.

5.5. Strategic Targets of the Company

- In addition to managing and representing the Company with a rational and prudent risk approach which optimizes the balance between growth, risk and return and which observes the Company's long-term interests, the Board of Directors is also responsible for the achievement of the Company's financial and operational targets.
- The Board of Directors or the management may develop opinions on the Company's strategic targets. The Board of Directors always seeks the opinions of managers on the targets they set. The targets set by the managers are first discussed at the relevant management level, then presented to the Board of Directors and finally approved by the Board. Actions to achieve the approved targets are initiated as soon as possible; the results are regularly monitored throughout the year by the upper management and reported to the Board of Directors.
- The Board of Directors holds an evaluation meeting at least once a year in order to review the Company's operational performance and degree of target achievement.

5.6. Financial Benefits

- The Company's Remuneration Policy for the Board Members and Executive Managers, which was approved by the Board of Directors' decision dated May 9, 2012 and made available for the information of shareholders on the Company website pursuant to the Corporate Governance Principles, was amended in line with the new Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance (II-17.1), and was announced on March 28, 2014 via the Public Disclosure Platform and was also made available for the information of shareholders via the Company website.
- The attendance fees to be paid to the members of the Board of Directors are determined each year at the General Assembly Meeting. The fee is determined according to the Board member's status (whether independent or executive), responsibilities assumed in the decision making process, know-how, skills and experience and the amount of time he/she spares for the Company. Also comparisons are made with the attendance fees paid by the peer companies in the industry.
- Zorlu Enerji's Board members were paid a total gross sum of TL 121,000.00 as an attendance fee in 2017, commensurate with the practices of the peer companies in the sector. The amounts for 2018 will be decided at the 2017 Ordinary General Assembly Meeting. No other benefits are provided to Board members.
- There is no rewarding scheme for the Board members based on performance measurement.
- The Company does not use payment plans such as dividends, stock options or payment options based on the Company's performance in the remuneration of the independent Board members.
- The remunerations of Zorlu Enerji's Executive Managers are determined by the Board of Directors. In addition, Executive Managers may be entitled to bonus payments at the end of the year, in line with the Company's financial performance and their respective contribution to this performance. The amounts of

such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities, the extensiveness of its operations, existence of international operations, the number of employees, subsidiaries and their weight in total operations, the level of knowledge required to sustain the operations, the characteristics of the sector, the competitive environment, and the level of salaries paid by the peer companies.

- Remunerations provided to the Company's Board Members and upper management are disclosed in the footnotes of the financial statements and in the annual report on a cumulative basis. In this regard, the total amount of remunerations paid to the above during the 12 month period ending on 31 December 2017 was TL 5,554 thousand (01.01-31.12.2016: TL 3,531 thousand).
- During 2017, the Company did not lend money or make credit available to any Board Member or Executive Manager, did not extend the maturity of the existing loans nor improved conditions, did not lend any credit via a third party under the name of a personal loan or grant any guarantee such as surety in their favor.