



## 2016 Corporate Governance Principles Compliance Report

### Part I- Corporate Governance Principles: Compliance Statement

The Company has provided in detail below the assessment and findings on the level of compliance with the Corporate Governance Principles and our comments on the potential improvement areas related to compliance in scope and quality.

Pursuant to Capital Markets Board Communiqué and Article 17 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on 1.3.2014 issuance of a “Corporate Governance Compliance Report” and compliance with specified Corporate Governance Principles have become mandatory for companies traded on Borsa Istanbul (BIST). Accordingly, the Company has resolved that the requirements imposed by the CMB be strictly followed, and the Company has also completed all the work necessary for compliance with the other principles specified in the Communiqué.

The established committees of the Board of Directors actively carry out their tasks. Committee working principles were announced on the website. Committee chairmen were determined amongst the independent members of the Board of Directors while independent member candidates are in majority in the committees.

Three weeks in prior to the General Assembly, information document, meeting agenda, annual report, résumés of the member candidates for the Board of Directors and other information to be announced were submitted to the information of the investors and shareholders.

Related party transactions were submitted to the information of the Board of Directors, and by getting the approval of the independent members of the Board of Directors a decision was taken to continue the transactions.

Company website and the annual report were reviewed and action was taken to make necessary updates.

A report for the “extensive and continuous transactions in 2016” was prepared and published on the Public Disclosure Platform upon the decision of the Board of Directors.

Independency of the independent members of the Board of Directors was examined, and new candidates were presented by the Nomination Committee to the Board of Directors.

Within the scope of the sustainability activities, first comprehensive sustainability report was released in 2016.

#### **Reasons for the Corporate Governance Principles that are not implemented:**

No model or mechanism was created for the Stakeholders to participate in the management. However, the independent members of the Board of Directors make sure that the Company and shareholders as well as all stakeholders are represented in the management. The Company

takes the advices and opinions of the employees, suppliers, various non-governmental organizations and all other stakeholders into consideration.

For our employees, we have an existing written compensation policy that must be formulated as per the Article 3.1.2 of the “Corporate Governance Principles” and we are still working on the issue.

Some of the members of the Board of Directors assume duties in a number of committees.

As per the Article 4.6.5 of the “Corporate Governance Principles”, the remuneration of the members of the Board of Directors and executive senior managers as well as all other benefits granted are publicly announced via Annual Report. However, the announcement is not made on personal basis but made to indicate the differentiation between the Board of Directors and executive senior managers.

There are no female members in the Board of Directors.

There are no provisions in the Articles of Association, giving the shareholders any personal right to request “private audit” from the general assembly. The regulations of the Turkish Code of Commerce and the Capital Markets Board are deemed sufficient to appoint a private auditor. Every shareholder’s right to request private audit is “recognized” within the framework of the regulations of the Turkish Code of Commerce n.6102 that entered into force on 01.07.2012.

The Company also plans to implement those principles that have not been implemented yet as soon as possible, although there have not been any conflicts of interest among shareholders due to the limited number of corporate governance principles implemented to date.

Even if the aim is to fully comply with the non-compulsory Corporate Governance Principles as well; we have not yet achieved to fully comply with the principles due to the difficulties faced in the implementation of a number of principles, and due to the fact that some of the principles do not match with the current structure of the market and the company. We are working on the principles that have not yet been implemented; and thus we’re planning to start the implementation after completing the administrative, legal, and technical infrastructure procedures that will support the effective management of our company.

The Company has also disclosed the following Corporate Governance Principles Compliance Report to the public via the websites: [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>

## Part II – Shareholders

### 2.1 Investor Relations Unit

The Company's relations with shareholders are handled by the Investor Relations Unit and coordinated by the Financial Affairs Department. The Unit processes any and all written or online inquiries submitted by our shareholders and attends all local and international investor conferences. In 2016, 206 meetings in total – 154 meetings with the investors/52 meetings with the analysts – were held. Investor Relations unit presented the report summarizing the activities of each quarter to the Board of Directors.

Contact information for the Investor Relations Department follows:

Serkan Aslıyüce

Director of Financial Affairs

Kısıklı Mah. Ferah Cad. No: 1 Büyük Çamlıca

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Özgür Kalyoncu

Investor Relations Manager

License Type:

Capital Markets Board Advanced Level License – 205830

Capital Markets Board Corporate Governance Rating License - 701396

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Relations with shareholders are coordinated by the Financial Affairs Department. The Financial Affairs Department manages the public disclosures as required to the BIST, the Capital Markets Board, and the Central Registry Agency and other communications with these agencies. In addition to organizing the ordinary and extraordinary general assembly meetings, the Investor Relations Unit may organize other ad-hoc meetings held at the request of shareholders.

## 2.2 Shareholders' Right to Information

Except for information considered either commercial secret or insider information, all written or verbal requests from our investors for information in the period were met. We provided our shareholders with all the information as required under their rights as shareholders via the annual report, material disclosures, and replies to individual inquiries. In accordance with Article 1524 of the Turkish Commercial Code No: 6102, dated January 13, 2011, the Company has also shared all necessary information and announcements with shareholders on its corporate website, [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>

Auditing principles and procedures are described in Article 20 of the Company's Articles of Association. In 2016, shareholders did not call for any private audits.

## 2.3. General Assembly Meetings

Pursuant to Article 1527 of the Turkish Commercial Code No. 6102 dated January 13, 2011, which stipulates that online participation in general assembly meetings, making proposals and statements online, and online voting shall have the same legal effects in all aspects as participating and voting in any general assembly meeting in person; and that all companies traded on the stock exchange are required to set up and maintain a system allowing online participation in general assembly meetings and voting; the online general assembly convenes on the same date and with a parallel agenda as the physical general assembly.

The Ordinary General Assembly of 2015 was convened on March 24, 2016.

The 2015 Ordinary General Assembly of the Company convened at Radisson Blu Asia Hotel at Atatürk Mahallesi Yakut Caddesi Ataşehir – ISTANBUL with the participation of shareholders representing almost 81.5% of the paid-in capital of TL 342,000,000. No stakeholders or media representatives were present at the meeting.

The invitation for the General Assembly, which stated the date and agenda of the meeting, was published in the Turkish Trade Registry Gazette No. 9024 dated March 3, 2016 and in the daily Dünya Newspaper dated March 2, 2016 and on the Ülker Bisküvi Sanayi A.Ş. website: [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx> as specified by law and the Articles of Association within the prescribed time limit.

The Company makes the financial statements and reports, including the annual report, dividend proposal, electing the members of the Board of Directors, presenting the company auditor, memo on the proposed agenda to be discussed at the General Assembly, and other documents for items of the agenda, if any, and the rationale thereof available for review by our shareholders at the headquarters and branches of the Company starting from the date of the invitation for the General Assembly.

Items on the agenda are expressed in an unbiased and detailed manner at the General Assembly and shall be clear and intelligible. Shareholders are provided with equal opportunity to express their opinions, and raise any questions to create a healthy atmosphere for discussion. No shareholder asked any question at the General Assembly nor made any suggestions except for those related to the items in the agenda.

The amount of contributions and donations made by the Company during the fiscal period have been discussed at the General Assembly meeting as a separate agenda item and shareholders have been informed about same.

Prior to the General Assembly meeting, the Company shared with the shareholders the meeting agenda, a sample proxy form, informational document, balance sheet, profit-loss statements, independent auditor's report and footnotes, auditor's report, Board of Directors' resolution on profit distribution, the annual report, and the resolution on the selection of an independent audit company, via the corporate website, [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>.

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

According to the Articles of Association, each share carries the right to one vote.

Any shareholder, who is entitled to attend General Assembly meetings, may attend the meetings via electronic communication means in accordance with Article 1527 of the Turkish Commercial Code. Pursuant to the Regulation on the General Assembly of Joint Stock Companies to be Held via Electronic Means, the Company may set up an electronic General Assembly system or procure any system developed for this purpose so that shareholders are able to attend, express their views, make suggestions, and cast their votes via electronic communication means. Pursuant to the relevant provision in the Articles of Association, shareholders and their proxies are allowed to exercise their respective rights at any General Assembly meeting, under the referenced regulations via the electronic system set up for this purpose.

The Company does not grant any privileges to share groups or other shares. None of our shareholders controls, or is controlled by, the Company. Cumulative voting is not practiced in the Company.

As per Article 27 of the Company's Articles of Association, shareholders representing one-twentieth (1/20) of the share capital can exercise minority rights.

The Articles of Association do not contain any provision prohibiting voting by proxy, who is not a shareholder of the Company.

#### **2.5. Dividend Rights**

Our Board of Directors has adopted the profit distribution policy in accordance with the Corporate Governance Principles published by the CMB.

The Company distributes profit in accordance with the Turkish Commercial Code, Capital Market Law, Tax Law, other applicable legislation and the articles related to profit distribution in the Company's Articles of Association.

The Board of Directors' profit distribution proposal, which complies with the Company's profit distribution policy and the Capital Markets Board's Corporate Governance Principles, is included in the annual report and is submitted for the approval of shareholders at the General Assembly; detailed information on the history of profit distribution and capital increases is disclosed to the general public via the corporate web site.

The Company has set its profit distribution policy in accordance with the Capital Market Law and Articles of Association, taking into consideration the Company's operational performance,

financial situation and market developments. Starting from the earnings of fiscal year 2012, the Company will distribute a minimum of 70% of its net distributable profit for each accounting period in cash, upon the proposal of the Board of Directors and the approval of the General Assembly, with any changes made by these entities, in accordance with Turkish legislation, and after due consideration of the Company's cash flow requirements.

This policy will be reviewed each year by the Board of Directors, taking into account any negative developments in domestic and global economic conditions, the situation of current projects and the Company's financial resources.

In accordance with the profit distribution policy, dividends are equally distributed to all shares in the relevant accounting period, and no privileges are granted.

Again, the Articles of Association provides for advanced dividend payment, but the Company has not made any advanced dividend payment so far.

Shareholders were informed of the Company's profit distribution policy at the General Assembly, and the profit distribution policy has been disclosed to the public and included in our annual reports, and is also available on the Company's website.

A decision was taken at the Ordinary General Assembly Meeting held on 24.03.2016 to; i) distribute all of gross TL 94.000.000,00 (net TL 79.900.000,00) from the profit for the period in conformity with the "Article on Profit Distribution" in the Articles of Association; ii) set aside TL 7.690.000,00 from the profit for the period as secondary legal reserve funds; iii) distribute TL 3.852.958,00 to the employees; iv) distribute the entire amount of profit (to be distributed) in cash, and distribute the amount before 5 April 2016; v) authorize company executives to determine other issued about the distribution. Profit distribution was made on 5 April 2016.

## **2.6. Share Transfer**

Following the approval of the amendments to the Articles of Association at the Ordinary General Assembly meeting held on March 28, 2013, the Company shall not issue any registered shares.

## **PART III – PUBLIC DISCLOSURE AND TRANSPARENCY**

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

The Company website at [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) is available in Turkish and English. Furthermore, company's investor relations website is available in Turkish and English on the address <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>. The following information is available for the purpose of disclosure to our shareholders:

Company's Vision

Code of Conduct

Information on the Board of Directors and Executive Management

Company's Shareholding Structure

Organizational Chart

Social Responsibility

Registration Information and Company Profile

Articles of Association

Financial Statements and Notes

Annual Reports

Material Event Disclosures

Report on Compliance with Corporate Governance Principles

Information on the General Assembly (Agenda, Proceedings, List of Attendees and Proxy Form Template)

Company's Information Policy

Committees

News and Announcements (Invitations to the General Assembly, and the like)

List of Corporate Insiders

Ratings Reports

Ülker on the BIST (Ratios and Charts related to the Company's Shares)

List of Monitoring Analysts and Investor Presentations

Sustainability

### **3.2. Annual Report**

In the Annual Report of our Company, facts and figures – specified in the Corporate Governance Principles of the “Corporate Governance Communiqué ” (Series: II-17.1) dated 03.01.2014 – are given.

## **PART IV – STAKEHOLDERS**

### **4.1. Information to Stakeholders**

In the event there is not any regulation in laws or contracts regarding rights of stakeholders, the Company endeavors to protect their rights in good faith and within means available to the Company with due consideration given to the reputation of the Company.

In addition, all employees have access to internal circulars and memos through the Company's Intranet and receive certain important announcements through e-mail.

There are no restrictions that prevent stakeholders from contacting the Corporate Governance Committee or the Audit Committee about any Company transactions they deem either unethical or contrary to regulations. Stakeholders may contact these committees by any communication means they prefer.

### **4.2. Participation of Stakeholders in Management**

According to the Articles of Association, the Board of Directors has at least seven members who are elected by the General Assembly upon nomination by shareholders of different share classes in accordance with the Articles of Association.

The Board of Directors has nine members, including three independent directors.

The Company does not have any practices related to stakeholders' participation in management.

### 4.3. Human Resources Policy

The main purpose of the Company's human resources policy is to build a team of high performance employees by improving and developing the human capital on the basis of the things done so far.

The human resources policy adopted by the Company is fundamentally that of Yıldız Holding's, and is available at [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>

The Company has never received any complaints that its human resources policy is discriminatory.

### 4.4. Code of Conduct and Social Responsibility

Information on the corporate social responsibility activities of the parent company, Yıldız Holding, is available in our annual reports and on the website: [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>. Keenly aware of our social responsibility, the Company takes utmost care to adopt policies that support environmental, sports, educational, and health care related projects.

The Code of Conduct is also available in a related section on the website. The Company observes the continuity of service quality and standard at all phases of production and maintains trade secrets of customers and suppliers as confidential. Customer satisfaction is one of the main principles of our Company.

Ülker Bisküvi, since its inception, has been a part of a Group of companies that produce quality and healthy products; respect their employees; uphold the rights of their partners and shareholders, and of their suppliers and customers; comply with all applicable laws; recognize social values; and have social responsibility. In addition, the Group of companies' management philosophy pursues the highest level of respect and trust among executives, employees, suppliers, and customers; achieves employee cooperation and high performance of personnel; maintains dignity, consistency and a sense of responsibility in its approach; all the while continually striving to improve this management philosophy.

The Code of Conduct as adopted by Ülker Bisküvi is generally abided by all Group companies and is disclosed to the public within the scope of the Group's information policy and is available to our shareholders on the website: [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr). and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>.

## PART V – BOARD OF DIRECTORS

### 5.1. Structure, Organization, and Independent Members of the Board of Directors

The Company's Board of Directors is composed of nine members, three of whom are independent members.

The Board of Directors comprises executive and non-executive members, and a majority of the Board's members are non-executive members.

Non-executive members include independent members, who satisfy all of the criteria set out in the Capital Market Law, who have the capacity to perform their duties with impartiality, and

who can devote their time to monitor the functioning of the Company and to fulfill all the responsibilities vested to them as independent members.

Details of the Company's Board of Directors are as follows:

Name-Surname	Position	Status	Term of Office
Murat ÜLKER	Chairman of Board Directors	Non-executive	27.03.2014-27.03.2017
Mehmet TÜTÜNCÜ (*)	Vice Chairman of Board of Directors	Executive	27.03.2014-27.03.2017
Ali ÜLKER	Member	Executive	27.03.2014-27.03.2017
Ahmet ÖZOKUR	Member	Non-executive	27.03.2014-27.03.2017
Mahmut Mahir KUŞÇULU (**)	Member	Executive	14.06.2016-27.03.2017
Cengiz SOLAKOĞLU	Member	Non-executive	27.03.2014-27.03.2017
Ahmet Murat YALNIZOĞLU	Member (Independent)	Non-executive	24.03.2016-27.03.2017
Duran AKBULUT	Member (Independent)	Non-executive	27.03.2014-27.03.2017
Halil Bülent ÇORAPÇI	Member (Independent)	Non-executive	24.03.2016-27.03.2017

(\*) As of 29.04.2014, Mehmet TÜTÜNCÜ was elected as vice chairman by boards of directors resolution.

(\*\*) Mr. Mahmut Mahir KUŞÇULU, who was the member of board of directors resigned from his duties on 14.06.2016. Within the framework of Article 363 in Turkish Commercial Code, it was decided by our Board of Directors that İbrahim Taşkın was selected in order to complete the remaining membership period and submitted for approval at the first General Assembly meeting ahead.

The Chairman of the Board of Directors and the General Manager are two different persons. The Company's CEO is Mr. Mehmet TÜTÜNCÜ.

Mr. Ahmet Murat YALNIZOĞLU, Mr. Duran AKBULUT and Mr. Halil Bülent ÇORAPÇI serve as independent board members.

We have no female members among the members of the Board of Directors and we are working on the issue.

#### **Murat Ülker- Chairman of Board of Directors**

Murat Ülker began his professional career at the Group in 1982 after graduating from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He is married with three children. He is fluent in English and German.

#### **Mehmet Tütüncü- Vice Chairman of Board of Directors**

Mehmet Tütüncü was appointed Chairman of the Food and Beverages Group in 2005. As of October 2009, the Gum and Candy companies were incorporated into the Food Group. He was born in 1958 and is married with three children. He likes to travel and collect small hand-crafted boxes.

### **Ali Ülker- Member**

Born in 1969, Ali Ülker is married with three children. He is fluent in English and German. His hobbies include fishing, watching movies, reading books, and playing basketball and billiards.

### **Ahmet Özokur-Member**

In 2005, Ahmet Özokur was appointed General Manager of Datateknik, and he was promoted to the position of CEO of Datateknik Informatics Group within the same year. On January 4, 2010, he was appointed General Manager of Sağlam Real Estate Investment Trust. Mr. Özokur's interests include aquatic sports. He is married with one child.

### **Ibrahim TAŞKIN – Member\***

İbrahim Taşkın was born on April 15th 1965 in Trabzon. He went to primary school in Artvin and high school in Istanbul. He graduated from Istanbul University Faculty of Law in 1986. He served his military service as a disciplinary officer at military disciplinary court in Şanlıurfa in 1988.

He is a member of Istanbul Bar as a self-employed lawyer since 1989.

Beginning from 1990 for four years he lectured constitutional law, criminal law, criminal procedure law and police profession code at Florya Police Academy in Istanbul. In between 1996-2004 he was involved in political activities with various assignments in addition to his career as a free-lance lawyer. He has been in charge of Legal Affairs of Yıldız Holding since 2004. Currently he is President of Global Legal Affairs at Yıldız Holding. He is also member of board of directors of many companies and member of board as a founder and/or director at various association and foundations. Besides his responsibilities at Yıldız Holding Group he is President of Discipline Committee, Food Safety and Defense Board and Global Legal Affairs at Yıldız Holding. He is married and father of four children. He speaks English.

### **Cengiz Solakoğlu - Member**

Having worked at Koç Group continuously for 37 years, Cengiz Solakoğlu retired due to the Group's policy for mandatory retirement at age 60. He is among the founders of the Educational Volunteers Foundation of Turkey (TEGV) and the 1907 Fenerbahçe Association. Mr. Solakoğlu was named a Leader of Civil Society by Economist magazine in 2003. He is married with two children.

### **Duran Akbulut - Member (Independent)**

Duran Akbulut was born in the town of Suşehri in Sivas in 1937. He completed his primary and secondary education in Suşehri, Sivas before moving to Istanbul. He is married with two children.

### **Halil Bülent Çorapçı - Member (Independent)**

Mr. Çorapçı, borned in 1936 at Yalova/Istanbul, graduated from Istanbul Yüksek İktisat ve Ticaret Okulu in 1956. He started his professional career at Karamancılar-Gazioğulları in 1953, responsible from various group companies in the areas of management and audit. Mr. Çorapçı attended many seminar at abroad within the context of his area and worked at Karamancılar Holding, Orta Anadolu Mensucat, Anadolu Cam Sanayii, Nasaş Aliminyum, Çelik Halat, Polinas, Henkel and Turyağ during his professional career. He also acted as board member in these companies. Currently, performs as a board member at Astay Gayrimenkul A.Ş., Atıkpaşa ve

Sultanahmet(Four Seasons Otelleri)A.Ş., Senapa Stampa Plastik A.Ş., Martı GYO, Kereviş (Super fresh) A.Ş. Mr. Çorapçı is registered at the chamber of certified public accountant of Istanbul and a former member of tax council founded in accordance with the law. Mr. Çorapçı is married with two sons, with a well knowledge of English and interested in books and readings.

**Ahmet Murat Yalınzoğlu - Member (Independent)**

Borned in 1957, Murat YALNIZOĞLU graduated from Istanbul Erkek Lisesi followed by the completion of industry and system engineering at University of Florida. Mr. Yalınzoğlu started his professional career as an entrepreneur in 1982 focusing at information technologies and software development. In 1989, Mr. Yalınzoğlu resumed his career at Arthur Andersen & Andersen Consulting as management consultant in information technology. He later led consultancy projects in the areas of strategy and organizational development for the leading companies in Turkey at Coopers&Lybrand and Research Development as managing partner, founder, and partner roles.

Mr Yalınzoğlu focused in reorganization of large companies with diversified businesses since 2006. He practiced many projects including the ways to improve board efficiency, and structural organization at start-ups. Mr. Yalınzoğlu acted as board member in many organizations aside of board consultancy.

The internal and external Group duties of each Board member assumed on behalf of the Company and rationale thereof are disclosed for the information of the General Assembly where the election of each Board member is discussed.

There is not any separate committee designated. The duties of a nomination committee are performed by the Corporate Governance Committee.

<b>Adı- Soyadı</b>	<b>Unvanı</b>	<b>Şirket Dışı Görevi</b>
Murat ÜLKER	Chairman of Board Directors	Chairman of the Board of Directors of Group companies
Mehmet TÜTÜNCÜ	Vice Chairman of Board of Directors	Member of the Board of Directors of Group companies
Ahmet ÖZOKUR	Member	Member of the Board of Directors of Group companies
Ali ÜLKER	Member	Member of the Board of Directors of Group companies
Ibrahim TAŞKIN*	Member	Member of the Board of Directors of Group companies
Cengiz SOLAKOĞLU	Member	Member of the Board of Directors of Group companies
Ahmet Murat YALNIZOĞLU	Member (Independent)	Board Member at IELEV Eğitim Kurumları AŞ. and managing partner at Pruva Yönetim Danışmanlığı Ltd. Şti.
Duran AKBULUT	Member (Independent)	Chairman of the Executive Board of Büyük Kulüp
Halil Bülent ÇORAPÇI	Member (Independent)	Independent Board member at Astay

		Gayrimenkul AŞ, Atıkpaşa Turizm A.Ş, Sultanahmet (Four Seasons Otelleri) A.Ş. Pilen Pak A.Ş, Martı GYO, Kerevitaş (Super Fresh) A.Ş., Senapa Stampa Plastik A.Ş.
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## 5.2. Rules of Conduct of the Board of Directors

The Company's Board of Directors made 31 resolutions in the period of January – December 2016. Due consideration was given when setting the meeting dates and times so that each and every member is able to attend the meeting.

The Board of Directors meets regularly and as often as necessary to conduct its business and affairs effectively.

The Board of Directors shall convene once a month when it is deemed necessary due to the Company operations and transactions. The Board of Directors must also convene when it is deemed necessary by the Chairman or one-third of the Board members. The meetings of the Board of Directors may be held at the headquarters of the Company or at a convenient location in the city where the headquarters is located or in another city by resolution of the Board of Directors. The Board of Directors may, upon resolution, determine whether or not they will have a distribution of responsibilities among the Board members.

An invitation for the meeting must be made by a seven-day prior notice and includes the agenda and documentation related to the call for the meeting.

In principle, members participate in a Board of Directors meeting in person. However, it is possible that Board members may participate in a Board of Directors meeting by means of electronic communication. Written stipulations of a member who does not participate in a Board meeting but submits his/her comments on the agenda in writing shall be presented to the other members.

Any discussion and resolution of Board of Directors must be recorded in written minutes, which must be signed by each member present at the meeting and then recorded in the book of resolutions. Any member with a dissenting vote must also state his/her rationale for his/her dissenting vote before signing the minutes of that meeting. Minutes of meetings and related documents and correspondence related therewith shall be regularly archived by the Secretariat of the Board of Directors. The Board of Directors shall meet with a quorum of at least more than one-half of the number of members and resolve by a majority of members present at the meeting. In the event there is a tie in the votes, the voted issue shall be discussed at the next meeting. The proposal shall be deemed rejected if it is not approved by a majority vote at the next meeting. Each Board member has one voting right regardless of his/her title and area of duty.

The names, duties and responsibilities of members of the Board of Directors are clearly specified in the Articles of Association which is available on our website: [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr).

While carrying out their responsibilities, the members of the Board Directors are furnished all the information necessary for them to fully perform their duties and act prudently and in good faith.

No objection has been raised against any resolution adopted by the Board of Directors during 2016.

In 2016, Audit Committee's, Corporate Governance Committee's and Risk Committee's meeting minutes and reports were monitored and reviewed by the Board of Directors.

Nor has there been any material transaction with respect to related party transactions which were presented to independent members for approval.

Any material information which must be disclosed to the public is promptly disclosed after the end of each meeting.

### **5.3. Number, Structure, and Independency of Committees Formed by the Board of Directors**

#### **Audit Committee**

The Audit Committee, which was established by a resolution of the Board of Directors on May 22, 2006, was restructured by a resolution of the Board of Directors dated August 5, 2008 in accordance with Communiqué No. 22 Serial No.: X of the Capital Markets Board. The Audit Committee ensures that the Company's financial and operational functions are monitored in a reliable manner. The purpose of the Committee, which reports directly to the Board of Directors, is to oversee the Company's accounting system, audit and disclosure of financial information, and the functioning and effectiveness of the internal audit system. This Committee meets as necessary, but at least four times each year. In 2016, Audit Committee had 4 meetings, and meeting minutes and reports were presented to the Board of Directors.

The new members of the Audit Committee as selected by the resolution of the Board of Directors dated June 14, 2016 are as follows:

<b>Name-Surname</b>	<b>Title</b>	<b>Position with Company</b>
Duran AKBULUT	Chairman of Committee	Board Member (Independent)
Ahmet Murat YALNIZOĞLU	Member	Board Member (Independent)

#### **Corporate Governance Committee**

The Company established a Corporate Governance Committee by resolution of the Board of Directors dated August 5, 2008 in accordance with the Corporate Governance Principles published by the Capital Markets Board. This Committee reports directly to the Board of Directors and meets as necessary but at least three times each year. In 2016, Corporate Governance Committee had 4 meetings, and meeting minutes and reports were presented to the Board of Directors.

The new members of the Audit Committee as selected by resolution of the Board of Directors dated June 14, 2016 are as follows:

<b>Name-Surname</b>	<b>Title</b>	<b>Position with Company</b>
Duran AKBULUT	Chairman of Committee	Board Member (Independent)
Ahmet Murat YALNIZOĞLU	Member	Board Member (Independent)
Hafize Nurtaç AFRİDİ	Member	President of M&A & Business Devp.
Özgür KALYONCU	Member	Investor Relations Manager

## Risk Committee

The Company established a Risk Committee in accordance with the Corporate Governance Principles published by the Capital Markets Board. This Committee reports directly to the Board of Directors and meets as necessary. In 2016, Risk Committee had 6 meetings, and meeting minutes and reports were presented to the Board of Directors.

The new structure changed with the Board of Directors decision on June 14, 2016, is as follows.

Name-Surname	Title	Position with Company
Halil Bülent ÇORAPÇI	Chairman of Committee	Board Member (Independent)
Ahmet Murat YALNIZOĞLU	Member	Board Member (Independent)

Any independent member may be a member of more than one committee, but s/he may be selected as chairman of only one committee. The Board of Directors may appoint an independent member as a committee member for more than one committee in accordance with the Corporate Governance Principles.

### 5.4. Risk Management and Internal Audit Mechanism

The Company's activities with regard to risk management are carried out by the Risk Committee. The Company is also audited regularly by the auditing units of Yıldız Holding A.Ş., which is the majority shareholder of the Company, and an independent audit firm. The findings of these audits are communicated to the members of the Audit Committee and to the Board of Directors. The business flows, and procedures of the Company, and authorities and responsibilities of employees are controlled within the framework of risk management and are subject to continuous monitoring and checks.

### 5.5. Strategic Objectives of the Company

Mission, Vision, and Strategic Objectives of the Company

The Company and all subsidiaries of Yıldız Holding were founded on the philosophy that "every person has the right to a nice childhood regardless of the country s/he lives in." The vision of Ülker Bisküvi is to further strengthen and advance its brand reputation, which is the most preferred brand by consumers particularly in bakery products, and become one of the top five companies in Turkey within the next 10 years.

The vision and mission of Yıldız Holding and our Company is disclosed to the public and is available on the websites: [www.ulker.com.tr](http://www.ulker.com.tr) and [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr).

### 5.6. Remuneration

Remuneration of the members of the Board of Directors is determined – separately for each member – by the General Assembly according the financial situation of the Company. In the General Assembly it was decided; to pay a net salary of TL 4.700 to Ahmet Murat YALNIZOĞLU, Duran AKBULUT, and Halil Bülent ÇORAPÇI until the next ordinary general assembly and; not to pay any salaries – for the tasks the Board members carry out in the committees – to the members of the Board of Directors who assume tasks in the committees established within the Company.

No loan was extended to any member or executive officer during the period, nor extended, directly or through a third party, any personal loan or given any collateral on their behalf, such as a surety.

Principles for remuneration regarding interests of executive management and the Board of Directors are explained in detail on the website: [www.ulkerbiskuvi.com.tr](http://www.ulkerbiskuvi.com.tr) and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>