

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CORPORATE GOVERNANCE PRINCIPLES
COMPLIANCE REPORT 2015

Corporate Governance Principles Compliance Report

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Akenerji Elektrik Üretim Anonim Şirketi ("Akenerji", or "the Company"), targeting continuous creation of value for its customers, employees and shareholders, is well aware that in the current period of high competition and rapid change, the quality of corporate governance practices and financial performance are of equal importance. Corporate governance of a high standard brings about low cost of capital, increases funding opportunities and liquidity, and as a result, enhances competitiveness. Therefore, the Company makes the utmost effort to implement the principles stipulated by the Capital Markets Board (CMB) in its "Corporate Governance Principles."

The Company abides by all obligatory corporate governance principles stipulated under the Capital Markets Board's Corporate Governance Communiqué numbered (II-17.1).

Pursuant to Article 6 of the Capital Markets Board's Corporate Governance Communiqué numbered (II-17.1), the principle that Akenerji is exempt from is defined below:

Within the scope of clause one of the said article, which reads, 'The criteria stated under principle numbered (4.3.4.) regarding the number of independent board members shall not be applied for third group corporations and joint ventures, except for banks, formed of two real persons or legal entities who do not have a capital, management or auditing relationship with respect to a minimum 51% of each other's capital, independent of each other and sharing the management control of the partnership equally with an agreement requiring positive votes by both parties for significant decisions with regard to the corporations, provided that any application made in relation thereto should be accepted by two Independent Board members, shall be sufficient in these corporations.', Akenerji's board includes two independent members, which is also approved by the Capital Markets Board's decision dated 17.04.2012 and numbered B.02.6.SP.K.0.13.199-1121, as Akenerji is a joint venture, formed of two legal entities that do not have a capital, management or auditing relationship with respect to a minimum 51% of each other's capital, independent of each other and sharing the management control of the partnership equally with an agreement requiring positive votes by both parties for significant decisions with regard to the corporation.

The reason for not applying the non-obligatory principles that are stipulated under Corporate Governance Communiqué numbered (II-17.1) of the Capital Markets Board are provided below:

- Referring to "Corporate Governance Communiqué" No. 1.3.11, although there are no provisions in this regard in the Articles of Association, General Assembly meetings are held open to the public, as stated in the Company's Internal Guidelines of the General Assembly.
- Referring to "Corporate Governance Communiqué" No. 1.5.2, utmost care is given to the utilization of minority rights, but there is no representative of minority rights on the Board. In addition,

minority rights are not recognized for persons possessing less than one-twentieth of the share capital.

- Referring to "Corporate Governance Communiqué" No. 3.1.2, a compensation policy hasn't been created for the Company's employees. The compensation rights of the employees are protected under the relevant legislation.
- Corporate Governance Communiqué Principle numbered 3.2.1: There is no model or mechanism created pertaining to the issue of participation of stakeholders in the management. However, the independent members in the Board of Directors ensure that not only the Company and shareholders, but also all stakeholders are represented in the management. The Company takes into account the opinions and recommendations of employees, suppliers, various NGOs and all other stakeholders, as well as customer satisfaction questionnaires.
- Referring to "Corporate Governance Communiqué" No. 4.2.5, although there are no provisions in this regard in the Articles of Association, the Company's Chairman of the Board of Directors and General Manager are different persons. The General Manager serves as a Member of the Board of Directors at the same time. Duties and powers of the Chairman of the Board of Directors and the General Manager are separated by being defined clearly in the company's organizational chart. No one in the Company is entrusted with unlimited authority to decide on an individual basis.
- Referring to "Corporate Governance Communiqué" No. 4.2.8, any possible damages in the Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties are not insured directly by the Company. However, the liability insurance for any possible damages in the Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties was underwritten by our main partners, Akkök Holding A.Ş. and ČEZ a.s., covering the relevant executives of the Company. No Material Disclosures have been made in this regard.
- Referring to "Corporate Governance Communiqué" No. 4.3.9, no female candidate was nominated at the Company's General Assembly by the Company shareholders for membership of the Board of Directors. As such, there is no female member on our Board of Directors. Although there isn't any written policy or target for the ratio of female members on the Board of Directors, the Company aims to include at least 25% (twenty-five percent) female members on the Board, and improvement in the achievement of this target is followed-up by the Board of Directors.
- Referring to "Corporate Governance Communiqué" No. 4.4.5, since the format of the Board of Directors' meetings has already been delineated in detail in the Company's Articles of Association, this format hasn't been put in writing with the Company's internal regulations.
- Referring to "Corporate Governance Communiqué" No. 4.4.7, Members of the Board of Directors spend sufficient time on their responsibilities in the Company. In the event that a member of

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the Board of Directors serves as a manager or a member of the Board of Directors in another company, the aforementioned situation doesn't lead to a conflict of interest and hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors in some other duty or duties outside the Company is not regulated and restricted by certain rules. Duties fulfilled by Members of the Board of Directors outside the Company are recorded in the "Company General Information Form" through the PDP, and the curriculum vitae of the Board members to be elected are shared through the "General Assembly information document" on PDP and the Company website prior to the General Assembly for election.

- Referring to "Corporate Governance Communiqué" No. 4.6.5, wages paid and all other benefits provided to the Members of the Board of Directors and the senior executives are disclosed to the public through the annual report. However, statements are not made on an individual basis, and are provided with the distinction of Members of the Board of Directors and the senior executives. This issue will be revised in the coming periods.

There is no conflict of interest arising from the foregoing non-obligatory principles governed under the Capital Markets Board's Corporate Governance Communiqué numbered (II-17.1). In the future period, the necessary works will be conducted in consideration of the developments and practices in the regulation towards alignment with Corporate Governance Principles.

SECTION II- SHAREHOLDERS 2.1. Investor Relation Department

The Investor Relations Department ("Department"), which was established as per obligation, as well as the Company's organs pursuant to the legislation, serves under the Assistant General Manager of Accounting and Finance, and plays an active role in protecting and facilitating the use of shareholder rights, especially the right to obtain and evaluate information. Questions communicated to the Department in this context, except for confidential information and trade secrets, are responded to either by phone or in writing, in consultation with the most authorized person on the relevant issues.

Information regarding the employees responsible for the Company's Investor Relations Department is provided below.

Özge Özen Aksoy
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Nilüfer Aydoğan
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Ms. Özge Özen Aksoy, Investor Relations Department executive and Treasury and Finance Manager of the Company, holds the Capital Market Activities Advanced Level (License No: 202048) and the Corporate Governance Rating Expertise (License No: 700538) licenses. She serves on a full-time basis under the Assistant General Manager of Accounting and Finance, and also as a member of the Corporate Governance Committee.

Furthermore, in order to demonstrate an effective approach in relations with shareholders, the Investor Relations Department communicates the messages of the Board, and the management strategies pertaining to the Company, to shareholders, in parallel with public disclosures and material disclosures, through meetings held in the presence of intermediaries.

The Investor Relations Department operates to provide accurate, timely and consistent information to current and potential investors, analysts and 3rd parties on request, to enhance the Company's recognition and credibility, to reduce the Company's cost of capital through the implementation of Corporate Governance principles, and to ensure communications between the Board of Directors and participants of the capital market.

In line with this objective, the Company attaches great importance to communication with shareholders and investors, and maintains an active investor relations program. The Company has created an accessible and transparent communication platform that encompasses all of its stakeholders, and accordingly organizes periodic meetings and answers relevant questions via email or meetings, upon demand. The demands of financial intermediaries, corporate investors and individual investors are met by email and/or meetings organized periodically, quarterly or on an ad hoc basis, upon request. All written or verbal information requests by shareholders, potential shareholders, analysts evaluating the Company, or academics and students conducting research on the Company or sector, are met via email, telephone, or at meetings at the earliest possible time, with the exception of any information not revealed to the public, or else classified as confidential and trade secrets. In 2015, 133 of the questions from our individual investors were answered via e-mail, while 187 of them were answered by phone.

In 2015, one to one meetings were held with 3 intermediaries, with the aim of providing them with detailed information regarding the activities of the Company.

In the framework of the public disclosure and transparency principle, 41 "Material Event Disclosures" were made in 2015 to ensure that stakeholders, mainly shareholders, and other related parties were informed in a timely manner.

The report concerning the activities carried out in 2015, which was prepared by the Investor Relations Department, pursuant to Article 11 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, was submitted to the Company's Board of Directors on February 29, 2016.

2.2. Exercise of Shareholder's Right to Obtain Information

All shareholders have the right to obtain and analyze any kind of information that is not classified as a trade secret, within the framework of the regulations in effect. The right to obtain and analyze information has neither been removed nor restricted by the Articles of Association, or else by a decision of any corporate body. All shareholders, including minority and foreign shareholders, are treated equally.

Any type of information and explanation that may affect the use of the shareholder rights are regularly presented on the website (www.akenerji.com.tr) of the Company for the use of the shareholders.

Further to the Capital Markets Board's related regulation provisions and the provisions of the Turkish Commercial Code, the Information Policy published on the Company's website determines Akenerji's public disclosure methods and means, as well as practices and principles regarding Akenerji's communication with capital markets participants.

Company information to be disclosed to the public is presented on the "Public Disclosure Platform" (www.kap.gov.tr) and on the Company's website in a timely, accurate, complete, understandable and easily accessible manner, and in a cost effective way, and so as to assist persons and establishments that may benefit from the disclosure to decide. Additionally, the "e-GOVERNANCE: Corporate Governance and Investor Relations Portal" is used for direct and effective informing of the Company's shareholders.

Principles regarding the public disclosure of information related to future issues are included in the information policy. When forward-looking information, assumptions, and data based on assumptions are disclosed, particular attention is paid such that these statements do not include baseless, exaggerated forecasts, and that they are not misleading. Attention is also shown such that these assumptions are in compliance with the financial status and operational results of the Company.

In the event that estimates and the grounds regarding the forward-looking information disclosed to the public do not come to fruition, or when it is understood that they shall not come to pass, the information is updated.

The Company refrains from making transactions which complicate the conduct of private audits. No additional provisions have been included on the right to request the appointment of a private auditor in the Articles of Association. There has been no request for the appointment of a special auditor in 2015.

2.3. General Assembly Meetings

In addition to the procedures stipulated by legislation, the announcement of the 2014 Ordinary General Assembly meeting, held on April 28, 2015, was made at least three weeks prior to the meeting on www.akenerji.com.tr, the Company's corporate website, the Public Disclosure Platform (PDP), and electronic

general assembly system, so as to ensure that the maximum number of shareholders would be reached. The announcement was also published in the Turkish Trade Registry Journal and in a widely circulated national daily newspaper. The documents to be submitted for inspection by the shareholders in accordance with Article 437 of the Turkish Commercial Code No. 6102 were made available at the Company's headquarters and branch offices. Additionally, the "General Assembly Information Documents", which have been drawn up to include issues contained in Article 1.3.1 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, are published on the Company's website and Public Disclosure Platform (PDP) prior to the General Assembly, as well as the notice for the meeting and all notifications and explanations that should be made by the Company pursuant to the legislation.

Each proposal was presented explicitly and under a separate title on the General Assembly agenda. There were no subjects regarding the agenda of the Company's 2014 Ordinary General Assembly meeting dated April 28, 2015 communicated in writing by the shareholders to the Company's Investor Relations Department to be included in the agenda.

In 2015, the Company held one Ordinary General Assembly meeting. In order to expand and facilitate the attendance of shareholders to the General Assembly, particular attention was paid to hold the meeting in a central location in Istanbul that would not create inequality among the shareholders, and that would enable the shareholders to attend the meetings at the lowest possible cost. The meeting location was selected based on the estimated number of attendees. No members of the media participated in the meeting.

Our shareholders could participate in the General Assembly meeting not only in person, but also in the electronic medium by means of electronic general assembly. 55,616,970,620 shares out of 72,916,400,000 shares (76.274%), representing the capital of the Company, were represented in the Ordinary General Assembly meeting held on April 28, 2015. The minutes of the General Assembly meeting and the list of attendees were published on the Company website (www.akenerji.com.tr) and in the Public Disclosure Platform (PDP).

During the General Assembly meeting, the Chairman of the Assembly ensured all topics on the agenda were conveyed in an impartial, detailed, and understandable manner, while questions not considered as trade secrets from general assembly attendees were answered. There is no question answered in writing by the Investor Relations Department within the scope of principle 1.3.5 of the Capital Markets Board's Corporate Governance Communiqué numbered II-7.1, resulting from failure to answer such questions during the General Assembly meeting.

Members of the Board of Directors in charge of the agenda items, other related persons, executives who were responsible for preparing the financial statements, and auditors were present at the Company's 2014 Ordinary General Assembly meeting in order to provide the necessary information and to answer questions.

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No transactions came into question for which the affirmative vote of a majority of the independent members of the Board of Directors was sought for a resolution in the Board, nor was the relevant resolution left to the General Assembly due to negative votes.

All donations and aids made by the Company were briefed to the shareholders as a separate agenda item during the 2014 Ordinary General Assembly meeting, and information regarding the donations and aids made during the year was included in the annual report.

Although there are no provisions pertaining to this matter in the Articles of Association, General Assembly meetings are held open to the public, as stated in the Company's Internal Guidelines on Working Principles and Procedures of the General Assembly.

The shareholders who held management control in 2015, the members of the Board of Directors, the executive managers, and their first and second degree relatives by blood or by marriage, haven't carried out any significant transactions that may result in conflicts of interest, either with the Company or its subsidiaries. Furthermore, they haven't carried out any transactions in the same line of business as the Company or its subsidiaries, by themselves or on behalf of others, and haven't become partners without limits of liability in a company that is engaged in the same line of business. Likewise, there are no transactions carried out by people who also have access to Company information other than the aforesaid persons, on behalf of themselves, within the scope of the Company's line of business.

No person or organization is privileged to access the Company's information.

2.4. Voting Rights and Minority Rights

The Company avoids implementations that hinder the exercise of voting rights. It offers the opportunity to each shareholder, including those of foreign nationality, to exercise voting rights in the most convenient and suitable manner.

There is one (1) voting right for each share in the Company, and there is no privilege in the Company's Articles of Association for voting rights.

None of the Company's partnerships has a cross shareholding relationship.

There is no representative of minority rights on the Board. The minority rights in the Company are subject to the Turkish Commercial Code, the Capital Markets Law, and relevant legislations, and haven't been determined to be less than one-twentieth of the share capital.

2.5. Dividend Rights

The Company's Dividend Distribution Policy was submitted for the information of the General Assembly and was approved by the shareholders at the 2013 General Assembly meeting. The Policy was announced to the public on the corporate website and was included in the annual report.

The Company's Dividend Distribution Policy contains clear and minimal information enabling investors to foresee the distribution procedures and principles of the profit to be gained by the Company in future periods. A policy maintaining the balance between the benefits of shareholders and the benefit of the Company is being followed in dividend distribution, as detailed in the Company's Dividend Distribution Policy.

The Company's Dividend Distribution Policy is included in the Annual Report.

There are no privileges for participation in the profit of the Company.

During the 2014 Ordinary General Assembly meeting, it was resolved:

'1- Not to distribute any dividend since there is a loss in our consolidated financial statements, prepared within the framework of the provisions of the Tax Procedure Law (TPL) and the Capital Markets Board's (CMB) Communiqué Serial: II-14.1 on "Principles Regarding Financial Reporting in Capital Markets",

2- To reserve the net period loss in the legal records of the Company, prepared according to the provisions of the Tax Procedure Law (TPL), and the net period loss in the financial statements, prepared pursuant to the CMB's Communiqué Serial: II-14.1, in the consolidated financial statements of the Company.

2.6. Transfer of Shares

Article 8 of the Articles of Association pertaining to the transfer of shares is as follows:

"The direct or indirect acquisition, by a real person or legal entity, of shares representing more than five percent of the capital of the Company, and share acquisitions that result in an increase in a shareholder's shares exceeding five percent of the Company's capital, or a transfer of shares that leads to the fall of a shareholder's share below the above-mentioned rate, are subject to the Turkish Energy Market Regulatory Board approval. Such provision is also applicable for obtaining the right to vote and pledging the shares.

Even if there is no transfer of shares, the issuance of a dividend right certificate is subject to approval by the Turkish Energy Market Regulatory Board, regardless of the ratios stated in the first paragraph.

If, within the scope of non-recourse project financing provided to the Company, the establishment of control and/or affiliate relationship between the banks and/or financial institutions and the Company due to loan agreement provisions covering cases such as a default in payments, leads to a violation of the market share limitations imposed by the applicable regulation, such violation shall be amended within the time period granted by the Turkish Energy Market Regulatory Board.

The transfer of the shares shall be binding on the Company upon the registration thereof into the Shareholders' Ledger, based on the approval of the Board of Directors.

Other than those that are traded, shareholders holding registered shares who wish to transfer their shares, which are not being traded, shall apply to the Board of Directors by written petition. The Board may reject the approval request based on one of the significant reasons stated below. Moreover, shareholders holding registered shares that are not traded may freely transfer their shares to shareholders holding the same group of shares, or establish usufruct rights to their benefit.

With regards to shareholders holding registered shares that are not being traded, transfers or establishment of usufruct rights to third parties, except for shareholders with the same group of shares and affiliates, the Company may deem the following as significant reasons, and reject approval requests for transfer of shares or establishment of usufruct rights:

a) If another company or enterprise ("Competitor") competing with the Company and the Competitors' owner, shareholder (including private and venture capital funds and their shareholders), or whatever their title, persons who are managers or employees of such companies, or their spouses and those who are in lineal kinship with them, or companies where the said persons have direct or indirect control, wish to acquire shareholding;

b) With regards to the protection of the Company's scope of business or economic independency, if a person or persons acting together wish to directly or indirectly acquire 5% or more of the Company's shareholding composed of registered shares

Regulations of the Capital Markets Board shall apply to transfers of registered shares that are traded.

Save for the first two paragraph of this Article, transfer of the registered shares of the Company shall be subject to the relevant provisions of the Turkish Commercial Code, the Capital Markets Law and the Electric Market Law."

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY 3.1. Corporate Website and Content

The www.akenerji.com.tr website is actively used to inform the public. The address of the website is included in the Company letterhead.

The Company's website is designed and updated in accordance with Article 2.1 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, the Turkish commercial Code, and relevant secondary legislation. Any stakeholders who wish to obtain more information on the Company can access Company officers through the e-mail address, info@akenerji.com.tr, or by filling out the Contact Form on <http://www.akenerji.com.tr/iletisim-formu>.

The Company's shareholding structure is disclosed and updated on the Company's corporate website in such a way as to show shareholder's names, share amounts and rates.

Basic information contained on the website is also prepared in English for the use of international investors. In addition, international investors who require further information on the Company can access company officers via the info@akenerji.com.tr e-mail address, or by filling out the Contact Form on <http://www.akenerji.com.tr/iletisim-formu>

3.2. Annual Report

The Board of Directors of the Company has drawn up the annual report on the basis of the Turkish Commercial Code and Capital Markets Board regulations, providing sufficient detail for the public to acquire complete and accurate information on the Company's operations. The annual report contains all information regulated under Corporate Governance Principles.

SECTION IV - STAKEHOLDERS 4.1. Informing the Stakeholders

The Company stakeholders are persons, institutions and interest groups that are associated with the Company in terms of achieving its goals, or else related to its activities, such as employees, creditors, customers, suppliers, and various non-governmental organizations.

The Company's code of ethics guarantees the rights of stakeholders regulated by legislation and mutual agreements. The stakeholders are informed within the framework of the policy created by the Company in accordance with current legislation and ethical rules. In addition, it is aimed to inform all stakeholders through press releases, annual reports, the corporate website, and applications within the scope of the disclosure policy, based on transparency. Intranet, which is an in-house information sharing medium, and printed documents are used actively, as the "Akenerji E-Bulletin" is published on a quarterly

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basis, and the bulletin "Akkök Haberler" is published on a monthly basis. While performing their duties, the Company's employees are expected to fulfill their responsibilities by valuing the interests of the Company above the interests of themselves, their families and relatives. Employees shall refrain from any interference that may be construed as benefiting themselves or their relatives. Foreseeable potential conflict of interest situations, and situations defined by the Company management, are shared with the employees, and the Company management takes the necessary measures.

The ethical values of the Company have been established and these values have been announced to the public on the Company's corporate website. Moreover, the Company stakeholders are informed about any issues concerning them, either through meetings or by e-mails and phone calls.

In cases where the rights of stakeholders stipulated in legislation and contracts are expressly violated by the Company within the framework of legislation and contracts, recourse to indemnification is provided by the Company. The Company ensures the convenience necessary for the utilization of mechanisms such as indemnification provided for stakeholders in legislation or contract. The Company does not have a particular indemnification policy regarding its employees, and such employee rights are protected within the scope of relevant legislation. The stakeholders may communicate any transactions of the Company that are contrary to legislation or ethically inappropriate to the Corporate Governance Committee, or to the Ethics Representative, by e-mailing to etik@akenerji.com.tr. No such notification was made by stakeholders in 2015.

When a conflict of interest arises between stakeholders, or in case a stakeholder is part of more than one interest group, a policy as balanced as possible in terms of the assertion of held rights is pursued, and efforts are made to protect each right individually from one other.

- The Company gives priority to customer satisfaction in the sales and marketing of the goods and services and takes the required measures to ensure such satisfaction.

- The Company takes the required measures, reviews and updates its processes in order to establish and maintain relationships, which are in accordance with the laws and the provisions of the established agreement with the customers and suppliers, to which it provides goods and services, and to protect the international and sector standards in provision of goods and services.

- Information pertaining to suppliers and customers is deemed within the scope of trade secrets, and attention is paid to its confidentiality.

- It is essential that demands of the customer in respect of the goods or services purchased by the customer are immediately fulfilled, if any, in accordance with the agreement provisions, otherwise in accordance with the legislation provisions, and customers are informed regarding the delays without waiting for the deadline.

- The Company chooses its suppliers in accordance with the Supplier Selection and Evaluation Procedure, and evaluates their performance on an annual basis. In the evaluation process, compliance with the Akenerji specs, delivery time, working in harmony with Akenerji and complaints are evaluated over the Oracle e-business management system. As a result of this evaluation, the Approved Suppliers List is created by the end of the year.

- Akenerji specifications, agreements and product specs are included within the information shared by Akenerji with its suppliers.

4.2. Participation of Stakeholders in Management

The mechanisms and models that encourage the participation of stakeholders, particularly Company employees, in the management are developed so as not to hinder the operations of the Company. The participation of stakeholders in the management of the Company is supported by tools such as proposals or surveys, again, in a manner that does not hinder Company operations.

Additionally, the participation of employees in the management of the Company is ensured through annual performance assessment meetings, suggestion systems and annual meetings held within the Company.

It has been decided to obtain the ISO 9001: 2008 Quality Management System, ISO 14001: 2004 Environmental Management System and OHSAS 18001: 2007 Occupational Health and Safety Management System certifications, covering all the power plants of Akenerji in operation. In this context, a Quality Project Team has been serving within the Company for a number of years. The Head of the Quality Project Team works under the Director of Environment, Quality and OHS. This team cooperates with all departments in order to determine the necessary preparation, audit and reporting standards for obtaining relevant certifications, and submits the results for management approval by considering the suggestions received from employees. Since this operation is shaped by the contribution of all Akenerji employees, it plays a significant role in the Company's in-house communications.

Furthermore, the presence of independent members on the Board of Directors enables the representation of all stakeholders, as well as the Company and the shareholders. The Company takes into consideration, where necessary, any views and suggestions that are communicated by other stakeholders.

4.3. Human Resources Policy

Factors of Akenerji's Human Resources Policy are as follows:

- We provide equal opportunity to everyone.
- We match the right person with the right job.
- We pay fair wages for work as a result of work assessment.
- We evaluate success with measured performance and proven abilities.

- We enhance efficiency by means of creating motivation and loyalty.
- We recognize and reward each other's accomplishments promptly.
- We work in collaboration, ensuring the continuity of work harmony.
- We inform promptly, accurately, openly and multi-dimensionally.

While the recruitment policies are prepared and career planning is conducted, the principle of giving equal opportunities to persons with equal conditions is adhered to. If it is foreseen that changes in executive positions may cause problems in Company management, succession planning is prepared for the determination of executives to be assigned.

The criteria regarding personnel recruitment are not defined in writing. However, the criteria presented hereunder are abided by in personnel recruitment.

Akenerji's Human Resources Policy aims to ensure equality in terms of learning and development-related opportunities, thereby providing employees the support they need appropriately in helping them to increase their performance.

Akenerji, implements a management system that values humanity and promotes creativity, communication and employee participation. It is aware of the extreme importance of creating an environment of open, close and uninterrupted communications between management and employees in fostering employee motivation and efficiency.

Akenerji, management seeks to implement internationally accepted models and human resources practices that utilize integrated systems. As such, the modern and integrated systems that the Company opts for ensure the generation of business results in all human resources processes ranging from employment to performance management systems, and from development to the remuneration and termination of employees.

During the employment and assignment of employees, the human resources policy is geared at bringing into the Company those candidates likely to move the Company forward, who are suitable for the Company culture and values, and who have the knowledge, skills, experience and qualities required for the job/position, thereby serving the strategies and targets of the Company. The policy follows the principle of selecting the right employee for the right job through contemporary evaluation systems that support objectivity in employment and assignment processes.

Fairness is the key factor in all benefits granted to employees. Training programs to enhance employees' knowledge, skills and manners are organized, and training policies are created.

Provision is made for employee development programs that enhance knowledge, skills and qualities in pursuit of Company targets, and that are based on constant learning, development and the inculcation

of the Company's results-oriented philosophy. At the same time, resources are also set aside for programs that contribute to social and cultural development. In development planning, training and development solutions suitable for the situation at hand are employed by taking the needs of the Company and its employees into account.

Job descriptions of Company employees are announced to the employees. Efficiency is taken into consideration while determining salaries and other benefits. Akenerji Salary and Benefits systems are annually compared to the whole market and related groups, and regular revisions are made. Implementation of a competitive salary policy is targeted.

Akenerji uses a Performance Assessment and Remuneration model, the validity and reliability of which have been proven worldwide. This is a wage and vested benefits model which is objective, transparent, and one that reflects the reality of the domestic and international business arena, and is based on the equality and equity principles grounded in remuneration specific to the job at hand.

The Performance Management System is a structure that aims to create a sense of shared corporate targets among individuals, thus strengthening the mutually shared corporate culture. Employees working within the system transparently see their personal contributions and the effects of these contributions in the corporate dimension. The output of the Performance Management System is channeled into the development planning, talent management, career and substitute planning, remuneration and rewarding processes of the Human Resources Department; thus a structure is formed that integrates all of these processes in one system, allowing them to feed off each other. Employees are supported in pursuing a common goal through promotions that underpin the high performance culture of the Company. Meanwhile, leadership and the functional competence of the Company are measured through a 360o assessment, in order to gauge precisely how employees achieve work results.

By this means, the strengthening and implementation of competences that move the Company forward and serve its corporate reputation and sustainability, are safeguarded within a unified system.

Managing relations with employees is addressed under the responsibility of the Human Resources Department, and no Employee Representatives have been appointed in this regard. The Human Resources Dept. functions as a bridge between the employees and the management, and works together with the Company's management in forwarding the demands and requests of the employees to the management, and producing solutions in line with needs. The Human Resources Dept. is jointly responsible with the management team for the execution of the Labor Law and Human Resources processes, within the scope of staff regulations in a healthy way. In addition to this, Akenerji provides an "open door" policy opportunity to its employees. The open door policy gives every employee the opportunity to reach the General Manager and the other top managers easily about any issues pertaining to their jobs and Akenerji.

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Occupational health and safety is a prioritized subject at Akenerji. All kinds of measures, including prevention of occupational risks, training and briefing, are taken, events are organized, tools and equipment are provided in order to protect the health and safety of employees, and the employees are informed on this subject by establishing the required procedures and instructions. Continuous improvement and development is in progress to ensure a safe working environment and conditions for the employees. In this regard, duties and authorities of the Employee Representatives, appointed as per the Occupational Health and Safety legislation, are as stated below:

- To participate in the activities of the Akenerji and Akhan Occupational Health and Safety Boards at the Headquarters,
- To be authorized to represent the employees in subjects such as participating in activities pertaining to Occupational Health and Safety, following the activities, requesting for measures to be taken, and making proposals.
- To solicit the opinions and suggestions of employees,
- To counsel the employer for the elimination of source of hazards or for decreasing the risks arising from the hazards and to have the right to request from the employer to take necessary measures.

4.4 Ethical Rules and Social Responsibility

The activities of the Company are carried out within the frame of the ethical principles announced to the public via the website of the Company.

Aware of its responsibility to society at large, Akenerji carries out all of its operations in such a way as to prevent environmental pollution and protect natural resources and takes all the necessary precautions to these ends. The Company prioritizes the invention, development, adoption and implementation of innovative and environment friendly technologies by taking environmental impacts into account under the scope of its Environment Policy. In this context, new investments benefiting from state of the art technology is at the forefront and full compliance with environment legislation starts off with the Environmental Impact Assessment (EIA) stage in all innovative projects implemented. The disposal and recovery operations of waste

generated at Akenerji power plants are carried out in accordance with the provisions of the regulation issued by the T.R. Ministry of Environment and Urban Planning.

Our Company pays special attention to finding, developing, adopting and implementing innovative and environment friendly technologies that are included in the scope of our Quality Policy. For this reason, our operational power plants and the Headquarters are subject to integrated management systems. Akenerji Integrated Management System includes ISO 9001 Quality Management System Certification, ISO 14001 Environmental Management System Certification and OHSAS 18001 Occupational Health and Safety Management Systems Certification. Our 11 locations (Headquarters and the Ayyıldız, Uluabat, Akocak, Burç, Bulam, Feke I, Feke II, Himmetli, Gökkaya and Erzin Power Plants) hold the Integrated Management Systems certification as of the end of 2015. The certification processes were initiated within the scope of Integrated Management Systems, and internal audits were conducted at the Erzin Natural Gas Combined Cycle Power Plant, which became operational towards the end of 2015. Our external audits conducted during 2015 resulted in zero non-compliance, and Erzin NGCCPP successfully completed the first audit.

Our policies and documents within the scope of integrated management systems can be accessed through the Company's corporate website under the title of Sustainability.

The Company is aware of the importance of improving social standards as well as its responsibility for providing quality products and services within the scope of Corporate Social Responsibility Principles. The Company is sensitive to the needs of society, without ignoring future generations. In this manner, Akenerji has adopted the principle of making contributions to social enrichment by making donations and social aids in a variety of fields, especially in education, environment, sports, culture and arts, in the regions where it carries out its activities.

Within the scope of our Corporate Social Responsibility Principles, the Company spent a total amount of TL 354,630.00 for donations and aid to various associations and foundations, in 2015.

The Company takes measures against all kinds of corruption, including bribery and extortion. The necessary awareness raising and control activities are coordinated by the Human Resources Department.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

The Board of Directors is composed of a total of 12 members, including 2 (two) independent, 1 (two) executive and 9 (nine) non-executive members. The CVs (Curriculum Vitae) of the members of the Board of Directors are presented in the Company's annual report.

Name Surname	Title	Date of Appointment	Term
Mehmet Ali BERKMAN	Chairman of the Board (Non-Executive)	27.06.2013	3 Year
Tomas PLESKAC	Vice Chairman of the Board (Non-Executive)	27.06.2013	3 Year
Ahmet Cemal DÖRDÜNCÜ	Board Member(Non-Executive)	27.06.2013	3 Year
Petr STULC	Board Member (Non-Executive)	27.06.2013	3 Year
Hamdi Yaman AKAR	Board Member (Non-Executive)	27.06.2013	3 Year
Peter BODNAR	Board Member (Non-Executive)	27.06.2013	3 Year
Raif Ali DİNÇKÖK	Board Member (Non-Executive)	27.06.2013	3 Year
Martin PACOVSKY	Board Member (Non-Executive)	27.06.2013	3 Year
Ahmet Ümit DANIŞMAN	Board Member/General Manager	27.06.2013	3 Year
Vratislav DOMALÍP	Board Member/Deputy General Manager (Non-Executive)	27.06.2013	3 Year
Hakan AKBAŞ	Independent Board Member	27.06.2013	3 Year
Jiri SCHWARZ	Independent Board Member	27.06.2013	3 Year

In the Board of Directors, there are executive and non-executive members. A non-executive member of the Board of Directors is the person who – except his/her Board of Directors' membership – is not in charge of any other administrative task in the Company and who is not involved in the daily work flow and in the ordinary activities of the Company. The majority of the members of the Board of Directors are composed of the non-executive members.

The General Manager of the Company and the Chairman of the Board of Directors are different persons. The General Manager is also a Member of the Board of Directors. The Members of the Board of Directors spend sufficient time on their responsibilities in the Company. In the event that a member of the Board of Directors serves as a manager or a member of the Board of Directors in another company, the aforementioned situation doesn't lead to a conflict of interest or hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors of some other duty or duties outside the Company is not regulated or restricted by certain rules. Duties fulfilled by the Members of the Board of Directors outside the Company are submitted for the information of the shareholders on the "Company General Information Form" page through the PDP, on the Company website, and in their CVs under the Corporate Governance section of the Annual Report.

During the ordinary general assembly meeting held on 27.06.2013, the Board Members were elected to take office for 3 years.

Among the members of the Board of Directors, there are independent members who have the capability of performing their duties without being influenced under any circumstances. The term of office of the independent members of the Board of Directors is up to three years and it is possible that they can be elected by being re-nominated.

Two independent members are nominated to the Corporate Governance Committee, which also fulfills the duties of the Nomination Committee. The Corporate Governance Committee presented Hakan Akbaş and Jiri Schwarz for approval by the Board of Directors as independent board members on 05.06.2013, upon the Committee's report dated 04.06.2013, which was prepared after the Committee's evaluation as to whether or not the said persons meet the criteria of independence.

The Independency Statements of our independent members of the Board of Directors are included in the Annual Report. In 2015, there was no condition terminating the independency of the Independent Members.

No female candidates were nominated at the Company's General Assembly, at which the members of the Board of Directors were elected, by the shareholders of the Company for membership of the Board of Directors. Thus, there is no female member on our Board of Directors. The Company aims to include at least 25% (twenty-five percent) female members on the Board of Directors, and improvement on the achievement of this target is followed-up by the Board of Directors.

5.2. Working Principles of the Board of Directors

The Board of Directors is responsible for the Company's achievements, operational and financial performance objectives as determined and disclosed to the public. The Board of Directors carries out its activities in a transparent, accountable, just and responsible manner.

Corporate Governance Principles Compliance Report

Considering the opinions of related board committees, the Board of Directors establishes the internal control system in such a way as to include risk management and information systems and processes, which will minimize the effects of the risks impacting the Company's stakeholders, mainly the shareholders.

The Board of Directors reviews the efficiency of risk management and internal control systems at least once a year.

The General Manager of the Company and the Chairman of the Board of Directors are different persons. The General Manager is also a Member of the Board of Directors.

Although not included in the Articles of Association, the authorities of the Chairman of the Board of Directors and the General Manager are clearly defined and separated in the Company's organizational chart. No one in the company is entrusted with unlimited authority to decide on an individual basis.

The Board of Directors plays a part in the preservation of effective communication between shareholders and the company, and in settling and resolving any disputes that may arise among them. In this respect, the Board of Directors is in constant contact with the Corporate Governance Committee and the Investor Relations Department.

Any possible damages in the Company caused by the members of the Board of Directors due to their negligence during the fulfillment of their duties are not insured directly by the Company. However, the liability insurance for any possible damages in the Company caused by the members of the Board of Directors due to their negligence during the fulfillment of their duties was underwritten by our main partners, Akkök Holding A.Ş. and ČEZ a.s., covering the relevant executives of the Company. No Material Disclosures have been made in this regard.

The chairman of the Board of Directors, getting in touch with the other members of the Board of Directors and the General Manager, determines the agenda of the Board of Directors' meetings. On the other hand, other members may suggest changing the meeting agenda. In order to ensure equal information flow, information and documents related with the agenda items of the Board of Directors' meeting are submitted to the review of the members of the Board of Directors, prior to the meeting. The members pay special attention to attend every meeting and to state their opinions, by reviewing the related information and documents of the meeting agenda items and by making necessary preparations. The Board meetings can be held through remote access opportunities such as video conferencing,

teleconferencing and the internet. The views of members who couldn't attend the meeting but communicated their views in writing to the Board of Directors, are submitted for the information of other members.

In accordance with the Articles of Association of the Company's, the Board of Directors convenes when the in Company's business requires and at least four times a year in any case. Within the 2015 activity year, the Board of Directors convened four times. A total of 45 resolutions were taken by the Board of Directors in 2015. All of these meetings were attended by the majority of the board members, and the resolutions were taken unanimously by the members who attended the meeting.

In the Board of Directors, each member has one right to vote. In accordance with the Company's Articles of Association, in Board of Directors' meetings at least one member more than one-half (½) of the total number of members of the Board of Directors must be present. The decisions of the Board of Directors are made with the affirmative votes of the members who are at least one member more than one-half (½) of the total number of members of the Board of Directors.

Company's Articles of Association and related legislation provisions shall be applied about the issues regarding how to hold the meetings and make invitations for the meetings.

The subjects included in the agenda of the Board of Directors meetings are discussed clearly in all aspects. In 2015 meetings, none of the members of the Board of Directors cast dissenting votes for any resolutions. In 2015, weighted voting rights or negative veto rights were not bestowed to the members of the Board of Directors.

Weighted voting right or negative veto right was not granted to the Board Members.

5.3. Number, Structure and Independency of the Committees Established in the Board of Directors

The Company's Board of Directors revises the structure and activities of the existing committees within the framework of provisions set under the Capital Markets Board's Corporate Governance Communiqué. Hence, the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee have been established. The duties and responsibilities of the Nomination Committee and the Remuneration Committee are fulfilled by the Corporate Governance Committee.

(As of 31.12.2015)

Committee in Charge of Audit

Name Surname	Title
Hakan AKBAŞ	Chairman of the committee
Jiri SCHWARZ	Member of the committee

Corporate Governance Committee

Name Surname	Title
Jiri SCHWARZ	Chairman of the committee
Hamdi Yaman AKAR	Member of the committee
Martin PACOVSKY	Member of the committee
Serhat Ergin BAYKARA	Member of the committee
Özge ÖZEN AKSOY	Member of the committee
Vakhtang DARCHIASHVILI	Member of the committee

Early Risk Determination Committee

Name Surname	Title
Hakan AKBAŞ	Chairman of the committee
Jiri SCHWARZ	Member of the committee

The fields of activity, working principles and members of the committees were determined by the Board of Directors and disclosed to the public via the Public Disclosure Platform and the Company website.

All members of the Committee in Charge of Audit and Early Risk Determination Committee, and Chairman of the Corporate Governance Committee were elected from the independent members of the Board. The Investor Relations Department executive, Ms. Özge Özen Aksoy, who holds the licenses required by legislation, also serves as a member of the Corporate Governance Committee. The General Manager does not participate in any committee.

The General Manager does not participate in any committee.

Special attention is paid not to assign the members of the Board of Directors for more than one committee. Notwithstanding, the Committee in Charge of Audit and the Early Risk Determination Committee are composed of two independent members: one Chairman and one member. The Chairman of the Committee in Charge of Audit is, at the same time, the Chairman of the Early Risk Determination Committee. Moreover, the Chairman of the Corporate Governance Committee is, at the same time, the member of the

Committee in Charge of Audit and the Early Risk Determination Committee.

Any kind of support and resource required for the committees to perform their duties are provided by the Board of Directors. The committees can invite any executive deemed necessary to their meetings and can receive their opinions.

The committees benefit from opinions of independent specialists in subjects that they need regarding their activities. Costs of the consultancy services needed by the committees are covered by the Company. No such service was obtained in 2015.

The committees keep written records of all activities carried out by them. The committees convene in a frequency, deemed necessary for the effectiveness of their activities and set forth in the working principles. They submit reports containing information regarding their activities and meeting results to the Board of Directors.

Among the members of the Audit Committee within the Company, there are members who have experience in the fields of accounting / auditing and finance. The committee oversees the Company's accounting system, public disclosure of financial information, and independent audit, as well as the functioning and effectiveness of the Company's internal control and internal audit systems. The selection of an independent auditing firm, identification of the services to be received from this firm, preparation of independent audit contracts, initiation of the independent audit process, and the works of the independent auditing firm at every stage, are all carried out under the supervision of the audit committee.

The independent auditing firm that will provide services to the Company, and the services to be received from this firm, are determined by the Audit Committee and then submitted to the Board of Directors for approval.

The methods and criteria to be applied in the issues of investigation and resolution of complaints received by the Company about the accounting and internal control system and independent auditing of the Company, and evaluation of the notifications of employees on accounting and independent auditing of the Company within the context of the confidentiality principle, are also determined by the Audit Committee.

The Audit Committee reports its evaluations concerning the truthfulness and accuracy of the annual and interim financial statements to be disclosed to the public, according to the accounting principles followed by the Company, together with the evaluations of the Company's respective executives and independent auditors, to the Board of Directors in written form.

Corporate Governance Principles Compliance Report

The Audit Committee immediately notifies the Board of Directors in writing about its findings that fall under the Committee's duties and responsibilities, as well as its evaluations and recommendations in respect thereof.

The Audit Committee convened 5 times in 2015, and recorded the minutes of the meeting. The resolutions taken were presented to the Board of Directors. The Audit Committee submitted 7 (seven) reports to the Board of Directors within the 2015 accounting period.

The Company's Corporate Governance Committee observes whether or not corporate governance principles are applied in the company and, if not, identifies the reasons and the conflicts of interests arising due to not fully complying with these principles. The committee offers recommendations on optimizing corporate governance practices, and monitors the works of the Investor Relations unit.

The Company's Corporate Governance Committee convened once in 2015.

The Early Detection of Risk Committee's duty is to carry out works for the early detection of any risks that may threaten the Company's existence, development and continuation, and to take the necessary precautions related to the risks identified, and to manage the risk.

Pursuant to the provision under Article 378 of the Turkish Commercial Code, the Boards of Directors in companies, shares of which are traded on the stock exchange, are liable for establishing an expert committee, and running and improving the system, in order to detect early any factors endangering the company's existence, development and continuation, and to apply the necessary precautions and remedies therefor and manage the risk. The Committee evaluates the situation on reports that it will submit to the Board of Directors once every two months, indicates the hazards, if any, and shows the remedies.

Further to the related regulation provisions, the Early Detection of Risk Committee was established by the Board of Directors on 24.09.2013.

The Committee convenes on a bimonthly basis, and it gives suggestions and recommendations to the Board of Directors to detect early and assess any kinds of risks that may affect the Company, such as strategic, financial, operational etc.; calculate the impact and possibilities; manage and report these risks in accordance with the company's corporate risk-taking profile; apply the precautions required for the risks identified; consider such risks in the decision mechanism; and establish and integrate efficient internal control systems accordingly. The efficiency of the Company's risk management and internal control

systems are revised at least once a year by the Early Detection of Risk Committee.

The Early Detection of Risk Committee convened 6 (six) times in 2015, and presented its reports, including the results of the meetings held during the year, to the Board of Directors.

All of the Committees conducted operations with respect to their areas of responsibility.

5.4. Risk Management and Control Mechanism

The Board of Directors establishes internal control systems, including risk management and information systems and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by obtaining the suggestions of the related committees of the Board of Directors.

The Company's risk inventory is one of the most important follow-up tools used in Akenerji's risk management activities. The risk inventory includes the operational, financial, reputational and strategic risks of the Company. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy has become a permanent item on the agenda of routine business of Akenerji executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications.

The current internal control system, particularly enhancing the efficiency and productivity of Company operations, ensuring reliability in financial reporting, and compliance with applicable law and legislation, is being audited by the Audit Group established within our parent companies, Akkök Holding A.Ş. and ČEZ a.s., in accordance with the annual internal audit plan. The outcome of the audit is reported to the Audit Committee. The efficiency of internal audit operations has been reviewed by the Audit Committee during the year. Opinions of the internal auditor, external auditor, or other Company executives have also been obtained when required.

The Internal Audit team comes into contact with the independent auditors when necessary within the scope of audit activities, and occasionally performs common process controls with independent auditors.

5.5. Strategic Goals of the Company

The Board of Directors administrates and represents the Company by keeping the risk, growth and return balance of the Company at the most appropriate level with its strategic decisions to be made and protecting the long term interests of the Company primarily with its rational and prudent risk management approach.

The Board of Directors defines the strategic goals of the Company, determines the human and financial resources to be needed by the Company and audits performance of the management.

The Board of Directors supervises compliance of the Company operations with the legislation, the Articles of Association, the internal regulations and the established policies.

The Company's short and long-term performances and strategic objectives are evaluated, and the necessary action plans are carried out according to the results obtained in the meetings held on a regular basis, and headed by the General Manager.

The Board of Directors reviews the degree to which the Company achieves its targets, as well as its activities and past performance. Accordingly, the Board of Directors reached the conclusion that the Company attained its operational and financial performance targets in 2015.

5.6. Financial Rights

The Board of Directors is responsible for ensuring that the Company attains its targets. The assessment regarding whether or not the company attains its operational and financial performance targets, as well as the reasons if not attained, are explained in the annual report. The Board of Directors conducts a self-criticism and performance evaluation on the board, members and executives with administrative responsibilities. Accordingly, it rewards or discharges the Board members and executives with administrative responsibilities based on such evaluations.

Remuneration principles for the members of the Board of Directors and senior executives are recorded in writing, and the shareholders were given the opportunity to express their opinions by submitting this for their information as an individual article on the Ordinary General Assembly agenda. The Remuneration Policy for the Board of Directors and Executive Managers prepared for this purpose is published on the Company website.

In the remuneration of the independent members of the Board of Directors, stock options or payment plans based on the Company's performance are not used. The wages of the independent members of the Board of Directors were determined at a level that ensured their independence at the General Assembly.

The Company does not extend loans or credit to any member of the Board of Directors, or to senior executives, and does not give assurances such as warranty in favor of them.

Wages and all other benefits provided to the Members of the Board of Directors and senior executives are disclosed to the public entirely through the annual report, and Note 24 to the financial statements, under the subheading of "Payments to the executive managers of the Group for the January 1 - December 31, 2015 and 2014 accounting periods". These statements are not made on an individual basis, and are provided with the distinction of Members of the Board of Directors and the senior executives. In 2015, the total amount of allowances including travel, lodging and representation expenses, benefits in-kind and in cash, insurance and similar payments provided to the senior executives and the members of the Board of Directors was TL 105,738.27.

