



*Report for
Compliance
with Corporate
Governance
Principles*

CHAPTER I - COMPLIANCE STATEMENT FOR CORPORATE MANAGEMENT PRINCIPLES

ODAŞ (the firm) applies the utmost diligence in compliance with the Capital Markets Board's Corporate Governance Principles, and embraces the concepts of equality, transparency, accountability, and responsibility among the corporate governance principles while proceeding towards its objectives. In 2017, ODAŞ complied completely with the mandatory principles under Communiqué No. II-17.1 on the Identification and Application of Corporate Governance Principles, and did its best to comply with the optional principles.

On these foundations, the efforts to ensure compliance with corporate governance principles, which began in 2013 and continued through to 2017, are still on track with the use of numerous mechanisms implemented within the firm's framework. In the early phase of the efforts, the Articles of Incorporation were revised to provide the shareholders with an egalitarian, accountable, responsible and transparent structure. In conjunction with the amendment of the Articles of Incorporation to entail the rights stipulated in the Corporate Governance Principles, the management structure was also reviewed to achieve the objective of "better management".

The firm's website was updated to provide the maximum amount of accurate and complete information to the public, swiftly and on a real-time basis.

This statement shows ODAŞ's embracement of a transparent and open form of management, and its intent to develop a responsible and accountable management perspective with respect to all shareholders, particularly small shareholders.

The firm's Corporate Governance Committee continues its efforts to develop corporate governance practices. The difficulties experienced with certain principles, and

Justification for Delays in the Implementation of Certain Corporate Governance Principles

ongoing debates in national, as well as international platforms, regarding compliance with certain principles have so far prevented complete compliance with some principles. That said, the principles which have yet to be implemented have not lead to any conflicts of interests between stakeholders. Plans are in place to effect the required structural changes and internal arrangements for the implementation of the limited number of optional principles which have not been implemented so far. Comments on comprehensive work carried out at our firm with respect to Corporate Governance Principles, and principles which have yet to be complied with, are noted in the subsequent sections of the report.

- Even though the Articles of Incorporation do not specify so, no one at the firm has unlimited decision-making authority.
- According to Article 4.6.5 of the "Corporate Governance Principles", the remuneration and other benefits provided to the members of the Board of Directors and other senior executives are disclosed to the public through the annual report. However, the disclosure does not provide such information with reference to specific individuals, but rather is based on a distinction between the Board of Directors and senior executives.

CHAPTER II - SHAREHOLDERS

Investor Relations Department

At our firm, the Investor Relations Department serves to facilitate the exercise of shareholder rights, enabling communications between the Board of Directors and existing and potential shareholders, as well as local and foreign analysts and portfolio managers, and executing required procedures in compliance with the CMB's

Corporate Governance Principles. The department reports to the Corporate Governance Committee, as well as to Burak ALTAY, Deputy Chairman of the Board of Directors and the Chief Executive Officer.

In 2017, the Investor Relations Team, along with the senior management of the firm, had contacts with a total of 82 institutional investors, analysts, and portfolio managers, and provided a picture of the firm's existing operations and investments, with reference to actual financial and operational data.

Accordingly, the Investor Relations Department is responsible for;

- Promoting the firm's operations and investments among an audience of existing and potential institutional investors and intermediaries from within Turkey, as well as from overseas.
- Responding to information requests regarding the firm submitted by Turkish and foreign institutional investors and analysts, save for confidential information and trade secrets withheld from the public.
- Notifying shareholders and Turkish and foreign institutional investors on a proactive and regular basis through conferences and investor meetings, about the developments concerning the firm.
- Responding to the questions received from shareholders, save for confidential information and trade secrets currently withheld from public.
- Performing analyses of the performances of other firms operating in the same sector from a comparative perspective regarding the performance of the firm's shares.
- Ensuring that General Assembly meetings are carried

out in accordance with the Articles of Incorporation and other internal regulations of the firm.

- Preparing documents that shareholders can use as a reference for General Assembly meetings, and publishing such documents on the firm's website three weeks in advance of the General Assembly for investors to review.
- Keeping a record of voting results through the General Assembly minutes and offering the reports of voting results to shareholders.
- Ensuring compliance with, referral to, and monitoring of obligations arising from any Capital Market Regulations applicable to the shareholders of public corporations, along with the obligations regarding financial reporting, corporate governance, and public disclosure.
- Regularly reviewing the contents of the "Investor Relations" section of the website, applying updates where required.
- Preparing presentations on and summaries of the firm's operations and finances for the relevant operating quarters.
- Preparing and updating the list of people with access to insider information, within the framework of the Material Cases Communiqué.
- Management and monitoring all procedures with the Capital Markets Board, Borsa Istanbul A.Ş., Merkezi Kayıt Kuruluşu A.Ş., and any other capital markets agencies.
- Ensuring the flow of information both ways, between shareholders and the senior management and the firm's Board of Directors.

ODAŞ Investor Relations Department

Full Name	Title	E-Mail
Melih Yüceyurt	Director of Finance and Investor Relations	yatirimciiliskileri@odasenerji.com
Mehmet Erdem Aykın	Investor Relations Manager	yatirimciiliskileri@odasenerji.com

Exercise of the Shareholders' Right to Information

Any information requests submitted to the Investor Relations Department are responded to diligently in accordance with the principle of equality and without any discrimination between investors, provided that they do not concern confidential information or trade secrets currently withheld from the public. Accordingly, in 2017, any information requests submitted by the shareholders on various issues were responded to clearly and in detail via telephone and e-mail on a verbal and written basis. Every question was answered to the satisfaction of investors, provided that they did not concern trade secrets.

Furthermore, the "Investor Relations" section of the firm's website (www.odasenerji.com) makes complete, accurate, and up-to-date information available to investors. In 2017, public disclosure of any developments that may affect the exercise of shareholder rights was achieved through the material disclosures on the Public Disclosure Platform (KAP), as well as the firm's website.

As the shareholders' right to demand the appointment of a special auditor is subject to regulations, the Articles of Incorporation does not stipulate any arrangements regarding the appointment of a special auditor. During the year, no request regarding the appointment of a special auditor was received.

General Assembly Meetings

The General Assembly meetings are carried out in accordance with the Turkish Code of Commerce, the Capital Markets Law, and the Corporate Governance Principles, in a manner that provides adequate information to and the extensive participation by shareholders. The Ordinary General Assembly of the firm convenes at least once a year, and discusses and decides on the matters on the agenda drawn up by the Board of Directors in accordance with Article 413 of the Turkish Code of Commerce. The notices and announcements regarding the General Assembly meeting are published through any means of communication including electronic communications, so as to reach the highest number of shareholders, and according to the minimum time frames stipulated in the Turkish Code of Commerce, the Capital Markets Law, and other regulations concerned.

The firm's Ordinary General Assembly Meeting for the year 2016 was held on Tuesday, May 02, 2017, at 2pm, at the corporate headquarters located at the address of Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8B 2. Kule Kat: 17 Tepeüstü Ümraniye/İSTANBUL. The 2016 Ordinary General Assembly Meeting was held under the oversight of the Government Commissar appointed by the Turkish Ministry of Customs and Trade. The agenda, minutes, and attendance sheet for the meeting are published on the firm's website.

Invitations to General Assembly meetings are extended by the Board of Directors in accordance with the provisions of Turkish Code of Commerce, the Capital Markets Law, and the Articles of Incorporation. The Board of Directors' resolution for the General Assembly meeting is followed immediately by necessary disclosures to inform the public, via KAP and the Electronic General Assembly Meeting System (EGKS).

The General Assembly meeting announcements are made at least three weeks in advance via the website www.odasenerji.com, so as to reach out to the highest number of shareholders possible, as well as through other procedures stipulated in the regulations, not to mention the ads published in the Trade Registry Gazette of Turkey, and one of the daily newspapers with a high circulation figure.

Prior to the General Assembly meetings, the disclosure document regarding the items in the agenda is drawn up and announced to the public, in compliance with the legal procedures and regulations regarding all disclosures. Within the framework of the items on the agenda for the General Assembly meeting, financial statements and reports, dividend payment proposals, and independent audit reports including the audited annual report, as well as any proposed amendment texts and justification thereof in case of Articles of Incorporation amendments, the disclosure policy, remuneration policy, dividend policy, resumés of all prospective Board of Directors members including independent ones, and other documents which are to serve as the basis of the items on the agenda, are made easily available for review by shareholders, at the corporate headquarters and on the website.

The General Assembly meetings are held simultaneously in physical and electronic form, at the corporate headquarters, and via the Electronic General Assembly

Meeting System. The venue for General Assembly meetings is arranged to enable participation by all shareholders. The agenda of the General Assembly is set clearly to enable the consideration of each proposal under a separate item, so as to prevent different interpretations. At the General Assembly meeting, the agenda items are conveyed to the shareholders in an objective, detailed, clear and understandable way, and the shareholders are given the opportunity to explain their opinions and ask questions under equal conditions. The questions directed by the shareholders during the general assembly meeting are responded accordingly by the board members and the senior executives of the firm.

Templates for proxy appointment letters for those who are employing a proxy to represent them at the General Assembly meeting, are made available to shareholders via newspaper ads and the website. The voting procedure applicable at the meeting is presented to shareholders via the website and newspaper ads. The items on the agenda at the General Assembly meetings are voted on by raising hands in an open ballot.

Following the General Assembly meeting, the meeting minutes are registered in the firm's minutes book. The meeting minutes are available through KAP, EGKS, and the corporate website. The General Assembly meetings, the attendance sheet, agenda, and announcements are made available for review by all local and foreign investors simultaneously.

The firm's preparations for the Electronic General Assembly Meeting for the 2016 Ordinary General Assembly were carried out in compliance with the regulations, under Article 1527 of the Turkish Code of Commerce. The invitation for the meeting was made on 31.03.2017 through announcement on the Public

Disclosure Platform (KAP), Merkezi Kayıt Kuruluşu A.Ş.'s Electronic General Assembly System (EGKS), the corporate website, and in Issue 9299 of the Turkish Trade Registry Gazette dated 05.04.2017, so as to cover the agenda, and in line with the requirements of the Law and the Articles of Incorporation. A review of the attendance sheet revealed that, out of the 135.750.000 shares, each worth a nominal value of TRY 1, representing the firm's total capital figure of TRY 135.750.000, shares corresponding to TRY 42.778.198,05 were represented in proxy, while shares corresponding to TRY 42.529.966,594 were represented in person, amounting to a total attendance representing a capital figure of TRY 85.303.165,094 leading to the observation that the quorum for meeting stipulated in the Turkish Code of Commerce, the Capital Markets Law, and the Articles of Incorporation were met. Thereafter, the General Assembly meeting was opened by the President of the Council. At the Ordinary General Assembly for 2016, the shareholders were given the opportunity to ask questions. When discussing the last item of the agenda "Wishes and Requests", the questions received from the shareholders were responded to, providing them with information. There were no written requests submitted by the shareholders of the corporation for inclusion within specific items in the agenda with respect to the Ordinary General Assembly Meeting for 2016.

Donations and grants worth a total of TRY 331.680 during the period were presented to the shareholders, under a separate item of the agenda. Furthermore, an upper limit of TRY 400,000 was set for donations and grants for 2017, under Article 19, Paragraph 5 of the Capital Markets Law.

The agenda for the General Assembly meeting, as well as the attendance sheet and meeting minutes are made available for review by shareholders at the

corporate headquarters. Furthermore, the Investor Relations section of the corporate website presents the documents pertaining to the General Assembly meeting, for review by shareholders and all stakeholders. The controlling shareholders, members of the Board of Directors, executive directors and their spouses and family members (both blood and in-law relatives) up to second degree did not engage in any material transaction which may lead to conflicts of interest with the corporation or subsidiaries.

Voting Rights and Minority Rights

The voting procedure for General Assembly meetings is announced to the shareholders at the beginning of the meeting. The firm avoids practices which could complicate the exercise of voting rights.

At the Ordinary and Extraordinary General Assembly meetings of the firm, group (A) shareholders are accorded 15 votes for each share, while group (B) shareholders are accorded 1 vote for each share. The shareholders can appoint proxies from both within and outside the shareholders, to represent them at the General Assembly meetings.

Proxies who hold shares in their own right as well, are authorized to vote in consideration of the shares of the shareholders they represent, in addition to the shares they themselves hold. The Board of Directors shall establish the formal requirements of the proxy appointment letter within the framework of the Capital Markets Board regulations. The proxy appointment letter should be in writing.

The proxy is required to cast votes in line with the will of the shareholder who appointed the proxy, provided that such instructions are noted on the proxy appointment letter. The relevant regulations of the Capital Markets

Board shall apply with respect to proxy voting. The votes in General Assembly meetings are cast by raising hands, showing the documents attesting proxy voting, in line with the regulations of the Capital Markets Board. However, a secret ballot can be employed, upon the request of shareholders who hold one twentieth of the firm's capital, among those shareholders present at the meeting.

Group A shares are privileged in terms of the appointment of the members of the Board of Directors, and the exercise of voting rights at the General Assembly, within the framework of Articles 7, 8, and 10 of the Articles of Incorporation (Board of Directors, nomination for the Board of Directors, election of the Chairman and the Deputy Chairman, representation of the firm, and right to vote in the General Assembly).

Dividend Rights

The firm's dividend payment decisions are made with reference to the Turkish Code of Commerce, Capital Markets Regulations, the Regulations and Decisions by the Capital Markets Board (CMB), Tax Codes, and the provisions of other applicable regulations, as well as the firm's Articles of Incorporation. The dividend payment is based on a balanced and consistent policy between the interests of shareholders, and the interests of the firm, in line with the Principles of Corporate Governance.

Each year, the Board of Directors resolution regarding dividend payments is submitted for the approval of shareholders at the General Assembly, as a separate item on the agenda. The firm's dividend payment policy is announced in the annual report, as well as on the firm's website. The firm's Ordinary General Assembly for 2015 discussed the Board of Directors' proposal regarding the dividend payment, and culminated in the decision to withhold dividend payment as no dividends payable

arose in the financial statements drawn up for 2015, in accordance with the principles of the Tax Procedure Code.

The firm does not have any preference shares in terms of dividend payment. Every share of the firm is entitled to an equal share of the dividends.

The firm can pay out advance dividends within the framework of Article 20 of the Capital Markets Law. The form and timing of dividend payment shall be established by the General Assembly, with reference to the relevant Board of Directors' proposal.

The principles of dividend payments shall abide by the provisions of the Capital Markets Board Communiqué No. II-19.1 and other applicable provisions, with reference to the establishment of the responsibilities and the dividend to be paid.

Share Transfers

The approval of the Energy Market Regulatory Board shall be sought for each instance of direct or indirect acquisition of shares representing 5% or more of the firm's capital, by a natural or legal person, and existing shareholders acquiring additional shares to increase their shareholdings above 5% of the legal person's capital, and/or any share transfers causing a fall of the shareholding of an existing shareholder below the above-mentioned limits. The transfer shall be followed by material disclosures required as per the Capital Markets Regulations.

This provision shall also apply in case of acquisition of voting rights.

Even if no share transfers occur, the establishment and removal of concessions on existing shares, or the issuance of dividend shares shall be submitted to

the approval of the Energy Market Regulatory Board, regardless of the rates stipulated above.

In the case of transfers of Group (A) shares, the Board of Directors is entitled to withhold approval for the transfer and registration to the share registry, on the grounds of realizing the corporation's objective, and maintaining economic autonomy within the framework of the provision of Article 493 of the Turkish Code of Commerce. No restrictions shall be introduced on the transfer of group (B) shares to be traded at the stock exchange.

In cases where banks and/or financial institutions obtain the control of the firm and/or engage in a subsidiary relationship with the firm due to default in terms of the requirements of credit agreements within the framework of irrevocable project financing, bringing about a case where the market share limits stipulated in applicable regulations are exceeded, such excess shall be eliminated within the time frame granted to such banks and/or financial institutions by the Energy Market Regulatory Authority.

Without prejudice to the provisions above, the transfer of registered shares shall be subject to the applicable provisions of the Turkish Code of Commerce, Capital Markets Regulations, and Energy Market Regulatory Authority regulations.

PUBLIC DISCLOSURE AND TRANSPARENCY

Disclosure Policy

The Corporate Disclosure Policy was established with the Board of Directors' resolution dated 30.12.2013 no. 2013/34, and is published on the website. The Corporate Disclosure Policy was established and is implemented under the authority of the Board of Directors. The Board of Directors reserves the right to revise the policy at any time in line with the applicable regulations.

The disclosure policy and any revisions thereof shall be published on the firm's website, following the approval of the Board of Directors. The Investor Relations Department is responsible for overseeing and monitoring the Disclosure Policy.

Corporate Website and its Contents

The firm's website address is www.odasenerji.com.tr; the Investor Relations section of the website contains the issues noted in the CMB's Corporate Governance Principles. The website is set up to provide open, clear, and simultaneous disclosure to shareholders, stakeholders, and the entire public. The information provided on the website is updated continuously. The information provided on the website is presented in English language as well, to enable it to be accessed by international investors.

Annual Report

The firm's activity report is drawn up in line with the details required in the Turkish Code of Commerce and the Capital Markets Regulations, so as to provide the shareholders, the public, and all other stakeholders with access to complete and accurate information on the firm's operations.

STAKEHOLDERS

Disclosure of Information to Stakeholders

The website was revised as required to provide disclosure to stakeholders on matters concerning them. Any and all information concerning the firm is presented to stakeholders in line with the Corporate Governance Principles. Stakeholders, investors, and analysts can access the firm's financial reports, activity reports, and other information, using the firm's website. Furthermore, certain material announcements and messages are conveyed to all employees via e-mail.

The Audit Committee is responsible for ensuring and

overseeing compliance with the regulations, while the Corporate Governance Committee is responsible for reviewing and concluding the complaints received from the shareholders and stakeholders, on matters of concern from a corporate governance perspective.

Stakeholders' Participation in Management

No model was developed regarding the stakeholders' participation in the firm's management. On the other hand, the requests and proposals voiced in meetings with employees and other stakeholders are taken into consideration by the management, leading to the development of relevant policies and practices.

Human Resources Policy

ODAŞ's Human Resources Policy is based on the objective of becoming an employer which increases the quality of life of its employees, and which elevates their performance capabilities.

The mission of Human Resources is to set up human resources systems which will create a culture bent on achieving excellence, and embraced by every individual, so as to enable a dynamic, motivated and high-quality work force improve the Group's performance in a sustainable manner through innovative, creative, and solution-focused ideas enabled by the development of a shared language based on open communications between all employees.

The Human Resources Policy is implemented through the three fundamental processes below, aiming to enable the employees to make optimal use of their potential

- Identifying and stating the objectives.
- Developing the concept of communications with employees, through open communications and a network of timely constructive feedback.
- Preparing the grounds for continuous employee

development by planning development activities to enable them to perform their current duties in the best possible way, and to prepare them for potential assignments in the future.

All managers and shift supervisors are responsible for managing effective and transparent relationships with employees, with the Human Resources Department assuming the role of central coordinator. All managers and supervisors are obliged to treat their employees fairly and justly, without exerting any subordinate-superior pressure. Thanks to due application of the principle of equality, one of the leading pillars of ODAŞ's management perspective, no negative employee feedback or complaints were received with respect to discrimination.

ODAŞ abides by the principle of announcing job descriptions and assignments, as well as performance assessment and rewards criteria to its employees. Job analyses and assessments regarding all positions within the organization are performed in detail, and are reviewed periodically in parallel to the growth of the firm. These assessments lead to the identification of all competences and qualifications required for the performance of the job. Thereafter, the hiring processes are managed with reference to such previously established criteria for individual positions. Furthermore, feedback meetings are held annually with the employees, with a view to identifying the need for improvement, and informing regulatory and preventive actions.

Code of Conducts

Code of Conduct and Social Responsibility

The firm's Code of Conduct is drawn up in writing, and is made available to the employees. The Code of Conduct is defined, updated, and published by the Board of Directors.

ODAŞ's Code of Conduct constitutes integral parts of ODAŞ's Policies and Values, and all employees, including the Board of Directors and the executives are required to abide by the code.

ODAŞ's Code of Conduct - Honesty

Truth and honesty in all our business processes and relations are the most important values to us. We always maintain truth and honesty in our dealings with the employees and all other parties.

Equality

Any discrimination on the grounds of age, language, religion, race, medical status, gender, or marital status constitutes a violation of the rules of the workplace. Employees can report their complaints on this issue directly to the Human Resources Department. The reporting of such complaints cannot be prohibited.

Employees are required to abide by the principles of professional confidentiality stipulated in the law.

As ODAŞ Group employees, we take good care of maintaining the privacy and confidentiality of information on our customers, employees, and other persons and entities with whom we deal.

We protect the confidential documents regarding the operations of the group companies, and use such information exclusively for the objectives of ODAŞ Group, sharing them with relevant parties within the framework of the authorities established.

Confidentiality

Our employees are obliged to comply with the principals of professional confidentiality as laid down by the law. At ODAŞ Group, we take care to protect the privacy and proprietary data of our customers, employees and other

related persons and organizations we work with. We protect the classified information about the activities of the Group companies and use such information solely in accordance with the objectives of the ODAŞ Group and share it with the concerned persons within the framework of the specified rules.

Prevention of Conflicts of Interest

ODAŞ employees are prohibited from deriving personal benefits for themselves, their families or relatives or friends by making use of the employee's status in the firm. Employees are also prohibited from engaging in close relationships with individuals or organizations which may benefit from confidential information to which the employee is party, or business decisions he/she may make. When performing their duties, employees take care to maintain the interests of the firm, and avoid any acts or behavior which would give either them or their friends or relatives benefits.

Where the private interests of the employee conflict or may conflict with those of ODAŞ, one can talk about the existence of a conflict of interest. Deriving improper personal benefit by abusing one's position is also considered a conflict of interest.

No employee can derive personal benefit for their family members or friends through the firm's operations, use the firm's properties, information, and positions for their personal interests, or compete with the firm. ODAŞ employees can extend/receive gifts to/from various persons, agencies and entities they are in contact with due to their position, only within the framework of the rules established by the firm.

Employees should protect the firm's assets and ensure their efficient use, with a view to protecting and making good use of company property. The firm's assets should be used for business purposes only.

Social Responsibility

The firm implemented social responsibility projects in 2016 with reference to the environmental and social requirements of the society in which we live and within the framework of the Social Responsibility Policy.

BOARD OF DIRECTORS

Composition and Formation of the Board of Directors

The firm shall be represented and administered by a Board of Directors composed of at least 5 (five) members to be elected by the Board of Directors in accordance with the Turkish Code of Commerce, and the Capital Markets Law and Regulations.

The members of the Board of Directors are elected as follows, with a tenure until the Ordinary General Assembly Meeting convenes to review the accounts for the year 2017:

Full Name	Title
Abdulkadir Bahattin Özal	Chairman of the Board of Directors
Burak Altay	Deputy Chairman of the Board of Directors
Mustafa Ali Özal	Member of the Board of Directors
Hafize Ayşegül Özal	Member of the Board of Directors
Yavuz Baylan	Member of the Board of Directors
Salih Erez	Member of the Board of Directors

Board Member Resumés

Abdulkadir Bahattin Özal (Chairman of the Board of Directors)

Having completed his primary and secondary education at TED Ankara College, Mr. Özal attended Üsküdar Cumhuriyet High School, followed by ITU Control and Computer Engineering Department in 1985, and Boğaziçi University Physics Engineering Department in 1988. Thereafter, he entered into business life and established and managed numerous firms in the construction, import, export and energy sectors. In cooperation with

Mr. Burak Altay, Mr. Özal has implemented more than ten projects in the energy sector, as well as completing investments in five power plants over five years. Currently he serves as the Chairman of the Board of Directors of the firm, as the founding partner of ODAŞ Group.

Burak Altay

(Deputy Chairman of the Board of Directors)

Having graduated from Koç University's Department of Business Administration, Mr. Altay taught courses as a research assistant at Koç University while studying for his master's degree at Marmara University's Faculty of Law. After beginning his career in entrepreneurship as Alstom Power's representative in Turkey, Mr. Altay then implemented more than ten projects in the energy sector with Mr. Bahattin Özal, completing investments in five power plants within just five years. Mr. Altay continues to serve as the Deputy Chairman of the Board as a founding partner of ODAŞ Group.

Mustafa Ali Özal

(Member of the Board of Directors)

Having graduated from Gazi University's Department of Economics, Mr. Özal took on a career in business in 1982. He served as an executive and board member at various firms operating in a number of sectors. Mr. Özal is a member of the Board of Directors.

Hafize Ayşegül Özal

(Member of the Board of Directors)

Having completed her education in 1972, Mrs. Özal began working in Aköz Foundation in 1994, and was appointed as Foundation Director in 1996. Currently, she is a board member of Aköz Foundation, offering scholarships to 200 students and providing support to people in need. Mrs. Özal is a member of the Board of Directors.

Yavuz Baylan

(Independent Member of the Board of Directors)

Having graduated from Istanbul University's Department of Economics, Mr. Baylan served as a chief public accountant at the Ministry of Finance for eight years, followed by a career in financial consultancy for the private sector, from 1981 onward. In 1987, he was a pioneer in the establishment of BDO Turkey, and became a sworn financial consultant in 1989. Since March 2013, Mr. Baylan has been serving as an independent board member at our firm.

Salih Erez

(Independent Member of the Board of Directors)

Graduated from Koç University's Department of Business Administration. Mr. Erez continues to serve as a board member at Haznedar Refrakter, Durer Refrakter Malzemeleri, and Haznedar Yatırım ve Pazarlama, along with his position as an independent board member in our firm which he has held since September 2015.

Deputy Chairman of the Board of Directors Burak ALTAY, also serves as the Chief Executive Officer of the firm.

In the meeting of the Nomination Committee dated 06.04.2016 no. 2017/01 (which members of Corporate Governance Committee act on their behalf) submitted to the Board of Directors the report drawn up with respect to independent members of the Board of Directors. Accordingly, Mr. Yavuz Baylan and Mr. Salih Erez, who were found to have met the independence criteria stipulated in the Corporate Governance Principles of the Capital Markets Board, were elected as the independent members of the Board.

Written statements submitted by each independent board member, with respect to their independent status, stipulate the following:

i. That they neither personally, nor through their spouses

or relatives by blood or marriage up to third degree, have been involved in the last five years in an executive employment relationship assuming substantial duties and responsibilities, or held, individually or jointly, more than 5% of the capital or voting rights or preferred shares, or engaged in any substantial commercial relationship with any affiliates of ODAŞ Elektrik Üretim ve Ticaret A.Ş. ("ODAŞ Energy") or any corporations in which the firm has management control or substantial influence, or shareholders which maintain the firm's management control or substantial influence in the firm, and legal persons which hold management control of such shareholders,

ii. That they have not been a shareholder (5% or more) or executive with significant duties and responsibilities, or board member in the firms which have provided or bought significant amounts of services or products within the framework of agreements, including but not limited to the auditing (including tax audits, statutory audits, internal audits), rating, and consulting of the firm, during the last five years, in the time frame of such provision or purchase of services or products,

iii. That they have the professional training, expertise and experience to duly perform the duties to be assumed on the grounds of being an Independent Member of the Board of Directors,

iv. That they are not a full-time employee of a government agency or entity,

v. That they are considered a resident of Turkey as per the Income Tax Law,

vi. That they have robust ethical standards, the professional reputation and the experience to enable free decision-making, taking into account the rights of stakeholders, and contributing positively to the operations of ODAŞ Energy, while maintaining impartiality in conflicts of interest which may arise between the shareholders,

vii. They will be able to set aside time required for the

firm's business, to perfectly perform the requirements of the job assumed, and to monitor the operations of ODAŞ Energy,

viii. They have not served as a member of the Board of Directors of the firm for more than six years in the last ten years,

ix. They are not an independent board member for more than three firms where the firm or the controlling shareholders of the firm hold the control of management and/or more than five corporations whose shares are listed in the stock exchange.

x. During the reporting period, no events to abolish the independent status of the independent board members took place. No restrictions regarding the assumption of duties or positions outside the firm are imposed on the board members. The members of the Board of Directors do not currently engage in any business which would lead to any conflicts of interest with the firm, and do not engage in operations to compete with the firm in the same fields of operation.

Operating Principles of the Board of Directors

The frequency of the board meetings of the firm, as well as the quorum for meeting and resolution are established in the Articles of Incorporation. Accordingly, the Board of Directors shall convene with a simple majority of the membership, as the firm's operations and procedures require. The Board resolutions are made with the majority of the members present at the meeting. The Board of Directors meetings are held at the corporate headquarters of the firm, or in an available facility in the city where the corporate headquarters is located. The Board of Directors can also convene in another city, on the basis of a board resolution for doing so.

The secretariat services for the Board of Directors meetings are provided by the legal department.

The agenda of the Board of Directors is set through consultations the Chairman has with other members of the board, and with the General Manager and/or Chief Executive Officer.

The managers' requests will be taken into consideration when setting the agenda.

In 2017, the Board of Directors held 28 meetings. No dissenting comment was registered in the resolution minutes against any resolutions made in such meetings. However, should such a dissent arise, all aspects to reflect the dissenting opinion shall be registered in the minutes

Where the Capital Markets Regulations require so, important resolutions of the Board of Directors are announced to the public through Material Disclosures. In 2017, a total of 27 Material Disclosures were announced.

None of the members of the Board of Directors, including the Chairman, weighted voting rights and/or veto powers. In the meetings, each member has one vote.

No insurance has yet been procured to cover the losses the firm may incur due to fault on the part of board members in the performance of their duties.

Number, Structure and Independence of Committees Formed under the Board of Directors

Two committees, the Audit Committee and the Corporate Governance Committee, were established through the Board of Directors' resolution dated 21.03.2013, in the process of the public offering of the firm's shares. Furthermore, the Early Detection of Risk Committee was established through the Board of Directors' resolution dated 25.12.2013. The Corporate Governance Committee have also assumed the authorities, duties, and responsibilities regarding the performance of the duties of the Nomination

Committee and the Remuneration Committee.

The duties and working principles of the committees established within the framework of the Corporate Governance Principles, entered into force through the Board of Directors' resolution dated 25.12.2013, and were announced on the Public Disclosure Platform. Furthermore, the Duties and Working Principles establishing the general procedures regarding the activities to be performed by all committees were updated as of 12.06.2015 and announced to stakeholders on the Public Disclosure Platform and the corporate web site.

Audit Committee

The Audit Committee was structured in accordance with the Corporate Governance Principles of the Capital Markets Board. The committee is composed of at least two members. The committee is composed of two non-executive independent members of the Board of Directors. Mr. Yavuz Baylan serves as the committee chair, while Mr. Salih Erez serves as the committee member. Special consideration was paid to ensure that the Committee Chair had previously served in a similar capacity, and has the expertise to analyze financial statements, as well as a strong grasp of accounting standards, and substantial qualifications.

The purpose of the committee reporting to the Board of Directors is to assist the Board of Directors with respect to the firm's accounting system, public disclosure of financial data, independent audits, and overseeing the operation and effectiveness of the internal control system in line with the Capital Markets Regulations and the principles stipulated therein, as well as to consider and report to the Board of Directors any issues it observes during its assessments. The arrangement that requires the convening of the committee at least

on a quarterly basis was implemented through the Duties and Working Principles of the Audit Committee.

Corporate Governance Committee

The Corporate Governance Committee is set up to support and assist the Board of Directors by working on monitoring the firm's compliance with the corporate governance principles in accordance with the Capital Markets Regulations, implementing the principles, identifying any failure of implementation, working to improve its efficiency, identifying the candidates to be elected to the Board of Directors, establishing the company's perspective, principles, and applications regarding remuneration, assessing the performance and career planning of the board members and executive staff, overseeing investor relations operations, and making applicable proposals to the Board of Directors.

The committee is set up in accordance with the Articles of Association. It is composed of at least two members. If the committee is composed of two members, both shall be appointed among the non-executive board members. In cases where the committee is composed of more than two members, the majority will be non-executive board members. The Chief Executive Officer/General Director of the firm cannot be a member of the committee. The Committee Chair shall be appointed from among the independent members of the Board of Directors. The director of the Investor Relations Department shall be appointed as a member of the Corporate Governance Committee. Furthermore, individuals who are experts in their field, but not members of the Board of Directors, can also be appointed as members of the Corporate Governance Committee. The Board of Directors appoints the members of the Corporate Governance Committee in the first Board of Directors meeting to

follow the General Assembly which elected the Board of Directors. The Corporate Governance Committee shall serve until the election of the next Board of Directors. The Corporate Governance Committee shall convene at least three times per year.

Where necessary, the committee shall convene at the corporate headquarters, upon an invitation issued by the Committee Chair through the secretariat of the Board of Directors. The committee shall convene with a simple majority and shall resolve with a majority. Once taken, decisions shall be registered in written form, to be signed by the committee members during the next meeting, and duly archived.

The Corporate Governance Committee shall be composed of a total of three members, two independent non-executive board members, and one official of the firm.

Risk Committee

The Early Detection of Risk Committee is composed of at least two non-executive members of the Board of Directors. The committee is composed of two independent members of the Board of Directors. Mr. Salih Erez serves as the Committee Chair, while Mr. Yavuz Baylan serves as a committee member.

The Early Detection of Risk Committee is set up in line with the Turkish Code of Commerce, the Articles of Incorporation, and the Corporate Governance Principles Communiqué of the Capital Markets Board, with a view to submitting recommendations to the Board of Directors, with respect to the early detection of risks which could threaten the existence, development, and continuation of the firm, as well as the application of the measures regarding identified risks, and the management of the risks.

The committee reports to the Board of Directors.

The arrangements regarding the convening of the committee are established in the duties and working principles of the Early Detection of Risk Committee.

Risk Management and Internal Control Mechanism

In line with its nature, ODAŞ issues its financial statements on a consolidated basis in accordance with the regulations. For the operating group covering electricity generation, electricity wholesale, and mining operations, UFRS based financial statements are drawn up on a quarterly basis. At ODAŞ level, on the other hand, transactions between electricity generation and electricity wholesale are written off, with consolidated financial statements being produced. The periodical financial results and performance of the firms included in the consolidation framework are analyzed, leading to consolidated financial reporting. ODAŞ's internal control operations are executed within the framework of the regulations, under the responsibility of the Audit Committee. In quarterly periods where financial statements are disclosed to the public, the consolidated financial statements are submitted to the Board of Directors of the firm, after being checked and approved by the committee for audit.

The new Turkish Code of Commerce which entered into force on July 1, 2012 rendered risk management activities a requirement for publicly traded corporations. The Early Detection of Risk Committee reporting to the Board of Directors was set up through the Board of Directors' resolution dated 25.12.2013, with a view to submitting comments and recommendations to the Board of Directors, with respect to the early detection of the risks that could threaten the existence, development, and continuation of the firm, as well as the application of measures regarding identified risks, and the management of the risks.

The work and observations of the directorates specified in the organizational chart of the firm within the framework of the risk management policy play a major role in this context. In 2017, the process of the ISO 27001 Information Security Management System has been completed.

Strategic Objectives of the Company

ODAŞ intends to establish a bidirectional strategy to reinforce its position in the sector. Thanks to this two-way strategy, the material values accumulated will lead to an expansion of the areas of operations, generating additional synergies through vertical and horizontal integration. Accordingly, plans are in place for the rapid integration of precious metal and minor mining production and direct sales within electricity generation and sales, currently our primary field of operations. Within this scope, the antimony and antimony trioxide production and sales started in 2016 and the production capacity has been doubled up in 2017 in keeping with the demand received.

Remuneration

In accordance with the Corporate Governance Principles, the "Remuneration Policy" applicable to the members of the Board of Directors and senior executives was developed in written form and approved in the Board of Directors meeting held on 25.12.2013, followed by announcement to shareholders through KAP and publication on the corporate website.

According to the Articles of Incorporation, the monthly salaries and per diem fees for members of the Board of Directors are set by the General Assembly.

In the Ordinary General Assembly Meeting for year 2016, held on 02.05.2017, the decision was taken to pay the members of the Board of Directors a net wage of TRY

7,000 per month.

The financial benefits provided to members of the Board of Directors and senior executives composed of group directors of the firm in the year 2017 are stated below:

	Benefit Total
Board of Directors	TRY 871.653
Senior Executives	TRY 3.237.326

Payments to the members of the Board of Directors cover monthly wages. The wages payable to the members of the Board of Directors are the cash payments set with reference to the firm's profitability, performance, and internal positions, and effected regularly and continuously at certain periods of each month.

The payments to senior executives cover monthly wages. The wages payable to senior executives are set with reference to the position and the nature of the work, competence, experience, performance and remuneration policies applied in the same sector for similar positions, the firm's internal positions, inflation, and the ability of the firm to achieve the financial targets set for the year.

When setting the remuneration policies, care is taken to exclude incentive systems which would harm the interests of the shareholders, employees and customers. The wages are reviewed and updated once a year. The firm does not extend any credits or loans to any board members or executives, nor extends personal loans through a third party. Furthermore, no guarantees or underwriting is extended for such persons.

GOVERNMENT SUBSIDIES AND GRANTS

Çan Kömür ve İnşaat AŞ

The firm holds an Investment Incentive Certificate dated 18.09.2017 and numbered C-117824, issued by the Ministry of Economy's General Directorate of Incentive Implementation and Foreign Investment.

The investment covered by the certificate concerns the power plant (Çan-2 Thermal Power Plant) project based on local coal, with an installed capacity of 340 MW. The Investment Incentive Certificate was issued for the completely new investment carried out in Çanakkale province's Çan district, and covers the period 13.08.2014 - 12.02.2019. The certificate extends the subsidy elements of employer support for insurance premium, interest subsidy, VAT exemption, and customs duty exemption, as well as tax discount.

YS Madencilik San. ve tic. Ltd. Ş

The firm holds an Investment Incentive Certificate dated 24.07.2017 and numbered 131389, issued by the Ministry of Economy's General Directorate of Incentive Implementation and Foreign Investment. Pit coal mining constitutes the subject matter of this document. The Investment Incentive Certificate was issued for the completely new investment carried out in Corum province's Dodurga district, and covers the period 16.06.2017 - 16.06.2020. The certificate extends the subsidy elements of employer support for insurance premium, interest subsidy, VAT exemption, and customs duty exemption, as well as tax discount.

Suda Maden AŞ

The firm holds an Investment Incentive Certificate dated 06.10.2017 and numbered 132950, issued by the Ministry of Economy's General Directorate of Incentive Implementation and Foreign Investment. Sand, clay and stone quarrying is the subject matter of the certificate. The Investment Incentive Certificate was issued for the modernization project carried out in Kutahya province's Gediz district, and covers the period 08.09.2017 - 08.09.2020. The certificate extends the subsidy elements of employer support for insurance premium, interest subsidy, VAT exemption, and tax discount.

DIVIDEND PAYMENT POLICY

The profits of the firm are measured and distributed in accordance with the Turkish Code of Commerce, the Capital Markets Regulations, and widely recognized accounting principles. The net profits established once the amounts the firm is required to pay or set aside, such as overhead expenses and various elements of depreciation, as well as the taxes the legal person of the firm is required to pay, and any and all financial liabilities, are deducted from the revenues identified as of the end of the operating period, as shown in the annual balance sheet, shall be allocated as follows in the respective order, once losses for previous years, if any, are deducted.

Primary Statutory Reserves:

5% statutory reserves shall be set aside as per the applicable provision of the Turkish Code of Commerce.

Primary Dividend:

The primary dividends shall be set aside in line with the Turkish Code of Commerce and the Capital Markets Regulations, from the remaining figure, with reference to the amount to be calculated with the addition of donations, if any, made during the year.

Once the above-mentioned figures are deducted, the General Assembly shall be entitled to decide on the payment of the dividends to the members of the Board of Directors, officials, servants, laborers, foundations established for various purposes, and similar persons and entities.

Secondary Dividend:

The General Assembly shall be entitled to pay the amount remaining after the deduction of the amounts specified in Sub-Paragraphs (a), (b), and (c) out of the net profits, in full or in part, as secondary dividend, or as extraordinary reserves.

Secondary Statutory Reserves:

One tenth of the amount established after the deduction of a dividend figure amounting to 5% of the paid-in capital, from the portion decided to be paid out to shareholders and other persons entitled to profits, shall be set aside as the secondary statutory reserves as per Article 519, Paragraph 2 of the Code of Commerce.

Unless the primary dividend figure established for those entitled to dividend is paid in cash and/or in the form of shares, no decision to set aside other statutory reserves, transfer profits to the next year, or pay dividends to the Board of Directors, persons entitled to shares as per the Articles of Incorporation, officers, servants, laborers, foundations established for various purposes, and similar persons and/or institutions can be taken before the statutory reserves required by law are set aside.

The dividends for the shares shall be paid out to all existing shares as of the term of operations, regardless of the issuance and acquisition dates of the shares, and without the application of the per diem principle.

The firm can pay out advance dividends within the framework of Article 20 of the Capital Markets Law.

If dividend payable arises in accordance with the applicable communiqués, a dividend payment resolution to be taken by the Board of Directors with respect to the payable annual dividends of the firm shall be submitted to the General Assembly under the regulations of the Capital Markets Board and Turkish Code of Commerce. The dividend payment shall be completed within the statutory time frames, should the General Assembly approve so.

LAWSUITS

As of 31 December, 2017 there are lawsuits filed against Kucuk Enerji Uretim ve Ticaret Ltd. Sti., a subsidiary of the Group, pertaining to the damage caused by the company due to the explosives used in tunnel excavation operations. Investigations regarding the lawsuits are in progress and many of these lawsuits are in the stage of getting an expert opinion and as such definite conclusions as to their results cannot yet be drawn.

There are various lawsuits filed with respect to the commercial operations, brought against ODAŞ Enerji Elektrik Perakende Satış A.Ş. to the tune of TRY 13,919,883.00 (mostly with respect to loss and illegal electricity use fees, transmission fees, distribution fees, and meter read fees collected from customers to which electricity was previously sold). Given the changes in regulations, as of December 31, 2017, these lawsuits are expected to be concluded in favor of the firm, yet the final verdicts have yet to be issued. Nevertheless, it was noted that in any case the amounts in question in the lawsuits regarding the loss-illegal electricity use fees filed by the customers shall be reflected onto the distribution firms.

The Group management does not foresee a negative result regarding such lawsuits, and such lawsuits would not have a significant effect on the operating results, financial status, and liquidity position of the group. Given that the probability of such lawsuits being concluded to the detriment of the Group is lower than the probability of them not causing any liability as per the Group management's assessment as of December 31, 2017, no accounting procedures were applied for the liabilities in the lawsuits, as shown in the financial statements.

