

## CORPORATE GOVERNANCE CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2013

TAV Airports (“the Company”) makes every effort to comply with the Capital Markets Board’s (“CMB”) Corporate Governance Principles. The Company has embraced the principles of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by CMB.

The “Corporate Governance Principles” as stipulated by the Capital Markets Board are also embraced by the Company and these universal principles are fully implemented by TAV Airports.

The “Corporate Governance Rating Periodic Revision Report” has been issued by ISS Corporate Services, an international rating agency officially authorized to rate compliance with the Corporate Governance Principles as set forth by Turkey’s Capital Markets Board.

The Company’s Corporate Governance Rating score that stood at 92.44 (9.24 out of 10) on August 24, 2012 was revised upwards to 93.97 (9.39 out of 10) as of August 23, 2013 thanks to the ongoing improvements made by the Company in implementing the Corporate Governance Principles.

The Company’s Corporate Governance Ratings by subcategory are presented in the table below.

<b>Subcategories</b>	<b>Weight</b>	<b>Score</b>
<b>Shareholders</b>	0.25	92,62
<b>Public Disclosure and Transparency</b>	0.35	96,59
<b>Stakeholders</b>	0.15	94,53
<b>Board of Directors</b>	0.25	91,31
<b>Total</b>	<b>1.00</b>	<b>93,97</b>

The Corporate Governance Rating Report can be accessed on the TAV Investor Relations website, at [ir.tav.aero](http://ir.tav.aero).

### **Justifications for the Corporate Governance Principles not Implemented**

- TAV Airports’ Corporate Governance Committee continues to carry out initiatives to improve the Company’s corporate governance practices. The principles that are not being implemented as of yet have not resulted in any conflicts of interest among stakeholders to date.
- While not provided for in the Articles of Association, General Assembly meetings are open to the public as per the General Assembly Internal Directive. Pursuant to the new Turkish Commercial Code, the Ordinary General Assembly Meeting of Shareholders that was held in 2013 was accommodative of electronic voting.

- The Company does not have a formal model or mechanism for the participation of stakeholders in management. However, the independent members of the Board of Directors allow for the representation of all stakeholders, as well as the Company and the shareholders, in management. The Company heeds the opinions and suggestions of its employees, suppliers, various non-governmental organizations and all other stakeholders as well as those in customer satisfaction surveys. While not stipulated in the Articles of Association, the Company's Chair of the Board of Directors has never been the same person as its chief executive officer since the day the Company was founded. No one in the Company has unlimited decision-making authority.
- Currently, Ms. Didar Sevdil Yildirim is the only female member on the Company's Board of Directors; we are in the process of devising the policies for setting a target ratio of female members on the Board, not to be less than 25%, and a deadline for implementation.
- Due to the shareholding structure of the Company, some members of the Board of Directors serve on multiple committees at the same time.
- As per Article no. 4.6.5 of the "Corporate Governance Principles," salaries paid and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public via the annual report. However, the disclosure is not made on an individual basis; it only provides a distinction between the Board of Directors and senior executives.

## **SHAREHOLDERS**

### **1.1. Facilitating the Exercise of Shareholder Rights**

Pursuant to its Information Disclosure Policy, it is the Company's principle to treat all shareholders, potential investors and analysts equally with respect to the exercise of the right to obtain and analyze information, as well as to make all information disclosures to everyone simultaneously and with identical content. All information sharing is undertaken within the scope of information that has previously been disclosed to the public. As part of the information sharing effort, all information of interest to shareholders and market participants is announced via material disclosures; the English translations of these disclosures are transmitted electronically to all people and entities who share their e-mail addresses with the Company, and past material disclosures are posted on the Company's website in both Turkish and English.

1.1.1. The Investors Relations Department operates for the purpose of presenting accurate, timely and coherent information to existing and potential investors about TAV Airports, increasing the recognition and credibility of the Company, positioning the Company among the publicly-traded airport operation companies in the world, lowering the Company's cost of capital by implementing the Corporate Governance Principles, and establishing communication between the Board of Directors and capital markets participants. In line with these objectives, the Company strives to maintain close communication with its shareholders and investors and conducts an active investor relations program. The Investor Relations Department presents reports to the Corporate Governance Committee and CEO about the activities conducted approximately six times a year.

## TAV Investor Relations Department

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Name/Surname	Title	Phone	E-Mail
Nursel İlgen	Head of IR	212 463 3000 / 2122	nursel.ilgen@tav.aero
Ali Özgü Caneri	Manager	212 463 3000 / 2124	ali.caneri@tav.aero
Besim Meriç	Manager	212 463 3000 / 2123	besim.meric@tav.aero

1.1.2. All information and announcements that may impact the exercise of shareholding rights are disclosed promptly to investors via the Company's website, at [www.tavyatirimciliskileri.com](http://www.tavyatirimciliskileri.com).

### 1.2. The Right to Obtain and Analyze Information

Questions directed to the Investor Relations Department are responded to, aside from confidential information and trade secrets, via telephone or in writing after consulting with the most relevant person in the related subject matter.

1.2.1. The Company avoids all conduct that obstructs the performance of special audits. The matter of requesting appointment of a Special Auditor is not individually mentioned in the Articles of Association but Article 20.1 of the Articles of Association entitles the shareholders to point out any items considered suspicious to the auditors and demand necessary clarifications. There were no demands to appoint a Special Auditor within this period. In addition, the activities of the Company are audited periodically by an Independent Audit Company assigned by the General Assembly.

### 1.3. General Assembly

1.3.1. The announcement of General Assembly Meeting shall be on the Company's corporate website and Public Disclosure Platform and also the documents to be kept available for review of the shareholders pursuant to the Turkish Commercial Code dated 13.1.2011 and numbered 6102, and Article number 437, statements and declarations to be made by the partner pursuant to the legislation shall be announced to investors minimum three weeks before the general assembly meeting, excluding the dates of announcement and meeting, and this announcement shall highlight the matters explained on Article 1.3.1.

The General Assembly Information Document and the General Assembly meeting announcements posted on the Company website included the meeting date and time, meeting location, agenda, the fact that the invitation was being extended by the Board of Directors and the procedures for the shareholders to attend the General Assembly. Since the Company does not have any registered shares, no accommodations were made to facilitate the participation of this class of shareholders in the General Assembly meetings.

In addition, the total number of shares and voting rights reflecting the Company's ownership structure; the number of shares and voting rights representing each class of preferred shares, if there are preferred shares in the Company's capital; changes in the management or activities of the Company or its major subsidiaries or affiliates that transpired in the previous reporting period or are planned for the coming period which may have a significant impact on the Company's operations, the justifications for these changes, and the annual reports and annual financial statements for the last two fiscal years of all entities that are a party to such changes; the justification for discharge or change as well as information on the persons who will be nominated for a seat on the Board of

Directors, if the General Assembly meeting agenda includes the release, change or election of the members of the Board of Directors; the resolution of the Board of Directors related to the amendment to the Articles of Association included in the agenda as well as the former and current versions of the Articles of Association amendments; backgrounds of the persons to be nominated for a seat on the Board of Directors, positions they held during the last 10 years and the reasons for leaving those posts, nature and materiality level of their relationship with the Company and the Company's affiliated parties, whether they meet the criteria for being an independent Board member, and information on other related matters that have the potential to impact the Company's operations if these persons were to be elected as members of the Board of Directors were disclosed to the public within one week of the date of the publication of the memorandum for the General Assembly meeting. Shareholders' the Capital Markets Board (CMB) and /or the Company's other public institutions and organizations that placed the request for the item to the agenda because there has not been included in the agenda of the General Assembly.

Financial statements and reports, the General Assembly agenda of the General Assembly since the announcement of the invitation to the meeting of shareholders and where they are most easily accessed on the web site is made available for review.

The Ordinary General Assembly Meeting of shareholders regarding the Company's 2012 activities was held on Thursday May 30, 2013, at 2:00 pm at TAV Academy (A) Hall, located at Atatürk Airport International Terminal Gate A – Next to VIP, TAV Administration Center, Yeşilköy-Istanbul. The memorandum for the Ordinary General Assembly, including the necessary information about the meeting date and time, meeting location, agenda items, procedures related to the attendance of shareholders at the meeting, proxy forms and arrangement procedures, was published on pages 417-423 of the Turkish Trade Registry Gazette, Issue no. 8316, dated May 9, 2013. The memorandum was also published in the daily Dünya and Star Newspapers, dated May 9, 2013. Of the 363,281,250 shares representing the Company's share capital as of the date of the meeting, 288,578,939.5 shares, or 79% of the total, were represented at the Ordinary General Assembly meeting.

Announcements pertaining to the General Assembly, in accordance with applicable legislation, as well as achieving the greatest possible number of shareholders at the Company headquarters and in such a way that the web site ([www.tavyatirimciiliskileri.com](http://www.tavyatirimciiliskileri.com)) was released 21 days in advance.

1.3.2. While preparing an agenda of the General Assembly, each agenda item is added under a different title and expressions which are suggestive and open-ended are tried to be avoided while writing the agenda items. Words such as "other", "miscellaneous" are tried to be avoided in agenda items and the information to be provided prior to a General Assembly Meeting are stated by referring to the related agenda items.

1.3.3. The General Assembly Meetings are held in a manner avoiding any inequalities between the shareholders and ensuring participation of the shareholders with minimum cost in order to increase the level of participation by shareholders and thus the meeting is organized at a place where majority of the shareholders resides provided that it is included on the articles of association.

1.3.4. The Meeting Chair makes preparations related to holding a general assembly previously and duly informs pursuant to the Turkish Commercial Code, Law and related legislations.

1.3.5. In the General Assembly, issues on the agenda as an impartial and thorough, clear and understandable manner transferred to the shareholders to express their opinions under the same conditions and are given the opportunity to ask questions. If a question asked is not related to the meeting agenda or if it is such a comprehensive question that it cannot be answered right away, the question asked is answered by the Investors Relations Department in writing within a period of

maximum 15 days. All questions asked during the General Assembly Meeting and answers given are announced to be public on the website within a maximum period of 30 days following the date of General Assembly Meeting. There are no questions asked on matters not related to the General Assembly Meeting's agenda and not answered during that 2013 Meeting held for the 2012 fiscal year. The questions posed by shareholders, audience and meeting attendees during the course of the General Assembly meeting were responded to via appropriate explanations by the chief executive officer and senior executives.

1.3.6. If the shareholders controlling the management, board of directors' members, executives having administrative responsibilities and their spouses, first and second degree blood relatives and relatives by marriage execute a significant transaction which might conflict with the interests of the partnership or subsidiaries and/or personally deal with business similar to the trading activities conducted by the partnership or subsidiaries or join to another partnership dealing with the same line of business as an unlimited partner, the transactions in question shall be discussed on the general assembly agenda as an individual item in order to inform the general assembly in details and the discussions shall be documented on the general assembly's meeting minutes.

1.3.7. Parties having privileged access to the partnership details, excluding the parties listed on article (1.3.6), inform the board of directors so that the transactions performed in their own names under the scope of partnership's line of activity can be added to the agenda as a new headline and the general assembly can be informed.

1.3.8. The Board of Directors' members, other related parties, officers responsible for preparing the financial statements and auditors should attend to the general assembly meeting in order to inform about agenda items prioritized and to answer the questions.

1.3.9. The principles listed under Article no. 1.3.9 of the Corporate Governance Principles were abided by at the meeting.

1.3.10. The Company's donation and aid policy was approved by the General Assembly. Information is presented to the shareholders at the General Assembly meeting as a separate agenda item regarding the amount of all donations and charitable contributions made during the year in light of the policy approved by the General Assembly and the beneficiaries of these donations and charitable contributions as well as policy changes.

1.3.11. While not provided for in the Articles of Association, General Assembly meetings are open to the public as per the General Assembly Internal Directive. Pursuant to the new Turkish Commercial Code, the Ordinary General Assembly Meeting of Shareholders that was held in 2013 was accommodative of electronic voting.

#### **1.4. The Right to Vote**

1.4.1. The Company avoids practices that make it difficult to exercise voting rights. All shareholders are given the opportunity to exercise their voting rights in the easiest and most convenient manner possible.

1.4.2. Each share is entitled to one vote in the Company. According to the Company's Articles of Association, there are no privileges associated with voting rights. Therefore, there are no preferred stocks or different classes of shares in the Company. There is no Company regulation that restricts the exercise of shareholders' voting rights for a certain time period following the acquisition date of the shares. The Company's Articles of Association do not contain any provision that prevents non-shareholders from voting in proxy as a representative of a shareholder.

1.4.3. The share capital of the Company does not involve any cross-shareholdings.

## **1.5. Minority Rights**

1.5.1. The exercise of minority rights in the Company is governed by the Turkish Commercial Code, the Capital Markets Law and related regulations, and the communiqués and resolutions of the Capital Markets Board. TAV Airports pays utmost attention to this matter.

1.5.2. The Company's Articles of Association contain a provision which stipulates that minority rights shall be exercised by shareholders collectively holding at least 5% of the share capital.

## **1.6. Right to Dividends**

1.6.1. This dividend policy approved by the General Assembly can be found in the annual report and on the investor relations website. There are no privileges with respect to participation in the Company's profit. The Company makes its dividend distribution decisions taking into account the Turkish Commercial Code, Capital Markets Law, Capital Markets Board Communiqués and Resolutions, the Tax Laws and the provisions of other related laws and regulations, as well as the Company's Articles of Association.

1.6.2. The profit distribution policy contains the minimum information that will allow shareholders to anticipate the procedures and principles of the distribution of the profit the Company will earn in the years ahead.

1.6.3. In the event that the Board of Directors proposes to the General Assembly that the profit not be distributed to shareholders, information on the reasons for such recommendation and how the retained earnings will be used are provided in the agenda item about the profit distribution.

1.6.4. The profit distribution policy strikes a balance between the interests of the shareholders and the interests of the Company. As per Item 5 of the Agenda of the Company's Ordinary General Assembly Meeting held on May 30, 2013, as a result of the Company's activities executed between January 1, 2012 and December 31, 2012 and based on the Company's statutory accounts as of the end of the 2012 accounting year, the following resolution has been submitted to the General Assembly for approval, approved, included in the annual report, and posted on the Company's website:

1. The Company's profit according to the independently-audited consolidated financial statements prepared in accordance with the provisions of the Capital Markets Board's "Communiqué on the Principles of Financial Reporting in Capital Markets" Series: XI, No: 29 is TL 285,858,000, and its commercial profit calculated as stipulated by the provisions of the Turkish Commercial Code and Tax Procedure Law is TL 210,848,826,
2. Of the after-tax profit based on consolidated financial statements, TL 285,858,000 of profit is subject to profit distribution pursuant to the Capital Markets Board's Communiqué Series: IV No: 27,
3. Article 519 of the Turkish Commercial Code obligates the Company to set aside primary legal reserve until 20% of the paid-in capital is reached. Accordingly, TL 10,542,441 shall be set aside as primary legal reserve for 2012,

4. Adding TL 765,086 in donations made during the year to the distributable profit of TL 275,315,559 for 2012 according to consolidated financial statements yields TL 276,080,645, which is determined as the first dividend basis amount,
5. TL 55,216,129, which corresponds to 20% of the TL 276,080,645 that is taken as the first dividend basis in accordance with the Capital Markets Board's Communiqué Series: IV No: 27, shall be distributed as first cash dividend, and TL 87,712,871 shall be paid as second cash dividend, a. The entirety of the TL 142,929,000 that will be paid in cash shall be distributed from the net profit for the period, b. Consequently, the Company shall pay a gross dividend of TL 0.39 to each share with a nominal value of TL 1 for a total gross cash dividend distribution to shareholders of TL 142,929,000,
6. Pursuant to the Capital Markets Law and Turkish Commercial Code, the amount remaining after deducting the profit to be distributed to the shareholders shall be set aside as extraordinary reserve.

#### 1.7. Transfer of Shares

The Company's Articles of Association do not contain any provisions that make it difficult for the shareholders to freely transfer their shares.

## 2. PUBLIC DISCLOSURE AND TRANSPARENCY

### 2.1. Corporate Website

All publicly disclosed information by the Company is also available on the Company website. The Company letterhead clearly indicates the address of its website and this information can be accessed at the web address <http://www.tavyatirimciiliskileri.com>. Of the information stipulated in the Capital Markets Board Corporate Governance Principles, all items applicable to the Company are posted and updated on the website.

Thanks to the new features implemented to the Company's website, investors can submit all types of questions to the TAV Investor Relations Department and establish active communication with the Company's management by sending messages to the Company's Board of Directors. By joining the Company's e-mail distribution list, users can have regular access to the reports and information related to the Company; institutional investors can send meeting requests through the related section of the website. In addition, analysts issuing reports on the Company can also access the website and post their reports, major financial and operational forecasts regarding the Company, and their expectations of the macroeconomic outlook for the coming years by using the personal user IDs and passwords provided to them.

2.1.1. All information stipulated in Article no. 2.1.1. of the Corporate Governance Principles is available on the Company's website.

2.1.2. TAV Airports Holding's ownership structure, updated at least every six months, is disclosed so as to reveal the names, ownership amounts and ratios in the Company's capital of real persons who own more than 5% of the Company's share capital as well as the privileges such shareholders possess, after deducting indirect and cross-shareholding relationships.

2.1.3. Except for material event disclosures and footnotes, financial statement disclosures that the Company is required to announce publicly as stipulated by capital markets regulations are published

on the Public Disclosure Platform in English and Turkish. The disclosures in English are drafted as summary documents that are consistent with the original disclosure in Turkish and are sufficiently accurate, complete, direct, comprehensible and adequate for the decision-making purposes of the parties who will benefit from the announcement.

2.1.4. Information on the Company's website is also presented in English, with the exact same content as the information provided in Turkish, for the benefit of international investors.

## **2.2. Annual Report**

2.2.1. The Company's Board of Directors prepares the Annual Report in order for the public at large to have access to complete and accurate information on the Company's activities.

In addition to the matters specified in the Legislation and in other sections of Corporate Governance Principles, in the annual reports;

a) Information on the positions held by the members of the Board of Directors and managers outside of the Company and the statement of independence by the members of the Board of Directors,

b) Operating principles of the committees formed within the Board of Directors including committee members, meeting frequency and the activities they carry out as well as the Board of Directors' assessment on the effectiveness of the committees,

c) The number of meetings the Board of Directors held during the year and attendance of the members of the Board of Directors at these meetings,

d) Information on legislative and regulatory changes that may have a material impact on the Company's activities,

e) Information on major lawsuits filed against the Company and potential outcomes,

f) Information on the conflicts of interest that arise between the Company and the companies it procures services from such as investment advisory or rating, and the measures taken by the Company to prevent such conflicts of interest,

g) Information on cross-shareholdings that exceed 5% of direct ownership of the Company's share capital,

h) Information on fringe benefits and professional development of employees as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts.

## **3. STAKEHOLDERS**

### **3.1. Company's Policy regarding the Stakeholders**

3.1.1. The Company's corporate governance practices and code of ethics safeguard the rights of stakeholders as stipulated in laws and regulations as well as in mutual agreements. Stakeholders are continually kept informed within the framework of the Company's Information Disclosure Policy, established with respect to governing legislation and the Company's code of ethics. In addition, the Company strives to provide information to all stakeholders via press releases, annual reports, the Company website and other practices within the framework of the Company's transparency-oriented



Information Disclosure Policy. For the Company's employees, the intranet, which is the intra-Company information sharing platform, is used actively and the "NEWSPORT" magazine is published quarterly and "Gate" magazine is published monthly. The Company's employees are expected to fulfill their responsibilities and hold the Company's interests above their own interests and the interests of their families or acquaintances while performing their jobs. Employees shall avoid any conduct that may be construed as pursuing their own or acquaintances' interests. Foreseeable conflict of interest situations as well as situations defined by the Company management in such manner are shared with the employees and Company management takes necessary measures when required.

3.1.2. The Company offers an effective and timely damage compensation opportunity in case of breach of stakeholders' rights that are protected by applicable law and regulations as well as by mutual agreements. The Company acts meticulously in ensuring the presence of clear provisions regarding damages in all of its contracts and takes into consideration every request and feedback provided by stakeholders. A "Severance Pay Policy" that was published internally by the Company is also made available on our website. Some exceptional situations that need to be addressed explicitly due to the scope or nature of the job are stipulated as an additional damages clause in employment contracts executed with personnel and are shared with employees.

3.1.3. The Company discloses information to shareholders and investors in accordance with, and via the methods stipulated in, the Capital Markets Law and the Regulations and Resolutions of the Capital Markets Board. Company management is encouraged to participate in the various non-governmental organizations (NGOs) established by our stakeholders and the rights of stakeholders are safeguarded meticulously.

3.1.4. Stakeholders have the opportunity to directly contact via e-mail members of the Corporate Governance Committee or the Audit Committee as well as individuals authorized to disseminate information as prescribed by the Company's Information Disclosure Policy with regard to the Company's conduct or transactions in breach of applicable law and regulations or ethical norms.

3.1.5. In the event that conflict of interest situations arise between stakeholders or a stakeholder belongs to multiple interest groups, the Company pursues as balanced a policy as possible in order to safeguard every right of all parties and strives to protect each and every right independently from each other.

### **3.2. Encouraging Stakeholder Participation in Management**

3.2.1 The Company does not have a formal model or mechanism for the participation of stakeholders in management. However, the independent members of the Board of Directors allow for the representation of all stakeholders, as well as the Company and the shareholders, in management.

3.2.2. The Company heeds the opinions and suggestions of its employees, suppliers, various non-governmental organizations and all other stakeholders as well as customer satisfaction surveys.

### **3.3. Human Resources Policy**

There is no representative appointed exclusively for conducting employee relations. Our Company manages personnel relationships through the Human Resources Department and Human Resources Professionals who have specific responsibilities under the roof of this department. Also, it is agreed that Human Resources Department will be the department to be consulted by employees in case of a conflict with the management and the employees are informed duly. As for the matters related to discipline, we have a Discipline Committee in addition of the Human Resources Department.

3.3.1. TAV Airports embraces the principle of providing equal opportunity to people in equal positions when formulating its recruiting policies and undertaking its career planning. The Company makes succession planning in determining the managers to be appointed in situations where changes in managerial positions may have a foreseeable effect in the Company's operations.

The criteria for hiring employees are documented in writing and the Company complies with these criteria.

The Company treats all of its employees with fairness and equality in terms of the benefits provided to them; provides training programs to enhance employee knowledge, skills and conduct; and formulates training policies.

Informational meetings are organized for employees about the Company's financial position as well as compensation, career, training and health related issues where opinions are exchanged.

Since the employees of the TAV Group companies are generally not unionized, the matter of resorting to the opinion of the trade unions in decisions about the employees and collective bargaining agreements stipulated in the human resources policy is not applicable. However, the constitutional provisions regarding the right of association stipulated in the Constitution of the Republic of Turkey remain; in addition, as a member of the International Labor Organization (ILO), pursuant to the Freedom of Association and Protection of the Right to Organize Convention (convention 87) and Right to Organize and Collective Bargaining Convention (convention 98), the Company shall abide by its related commitments regarding associations that may transpire in the future and the Company respects the free will of its employees on every platform.

Job descriptions and distribution of the Company's employees as well as performance and rewarding criteria are announced to the employees. Productivity is a major criterion in determining the salary and other benefits provided to the employees. The Company may create stock acquisition plans for its employees.

The Company takes measures to prevent discrimination between employees on the basis of race, religion, language and gender and to protect its personnel against physical, mental and emotional abuse within the Company.

As of December 31, 2013, TAV Airports, including all of its subsidiaries, has a total of 23,698 (13,370 after IFRIC 11 effect) employees. No complaints related to discrimination were received from employees.

3.3.2. Criteria for hiring personnel are documented in writing and the Company complies with the criteria listed in articles 3.3.3., 3.3.4., 3.3.5., 3.3.6., 3.3.7., 3.3.8. and 3.3.9. of the Capital Markets Board's Corporate Governance Principles Communiqué.

### **3.4. Relations with Customers and Suppliers**

3.4.1. The Company takes all necessary measures to ensure customer satisfaction in the marketing and sales of its products and services.

3.4.2. Customer requests related to the products and services they purchased are addressed expeditiously while delays are communicated to customers before the expiration of the response deadline.

3.4.3. The Company complies with global quality standards of products and services and strives to maintain these standards. To this end, the Company provides a certain level of quality guarantee.

3.4.4. Information on customers and suppliers is kept confidential as part of the Company's treatment of trade secrets.

### **3.5. Code of Ethics and Social Responsibility**

3.5.1. The Company's social responsibility activities are conducted in accordance with its code of ethics, which is made available to the public on its website. The Company expends maximum effort to be sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethics rules, and directs and supports its subsidiaries to behave in the same manner. The Company's terminal operating subsidiaries conduct their operations in compliance with environmental regulations and the directives and guidelines of international aviation organizations such as the ICAO, ECAC, EUROCONTROL and IATA, as well as the Equator Principles of the World Bank.

3.5.2. Due to the nature of their operations, the Company and its subsidiaries are not legally required, within the scope of Environment Law and its related regulations, to produce environmental impact assessment reports. Nevertheless, the Company's related subsidiaries have prepared environmental reports and environmental management plans during both the construction and operation phases of terminals and they comply with updated environmental management plans.

The Company's subsidiaries have international quality control plans for their operation areas and quality control audits are conducted in compliance with international standards.

The Company's "Sustainability Report," which was published in 2010 and revised in 2011 and 2012, can be accessed at <http://www.tavyatirimciiliskileri.com>.

## **4. Board of Directors**

### **4.1. Function of the Board of Directors**

TAV Airports Board of Directors governs and represents the Company by taking strategic decisions, maintaining an optimal balance between risk, growth and return, pursuing a rational and prudent risk management approach, and giving priority to the Company's long-term plans.

4.1.1. Our Board of Directors defines the strategic objectives of the company, determines the workforce and financial resources to be required by the company and controls the management performance.

4.1.2. The Board of Directors defines the strategic targets, identifies the financial and human resources and evaluates the performance of the management of the company.

**4.2. The Board of Directors determines the human capital and financial resources the Company will need in light of its strategic objectives and oversees the management's performance.**

Operating Principles of the Board of Directors

4.2.1. The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner.

4.2.2. Delegation of duties among the members of the Company's Board of Directors as well as the duties and authorities of the Board members are stipulated in the annual report.

4.2.3. The Board of Directors creates the Company's internal control systems, including information systems and processes as well as risk management systems, that will minimize the impact of risks

that have the potential to affect the Company's stakeholders, particularly its shareholders, and by also seeking the opinion of the relevant Board of Directors committees.

4.2.4. The Board of Directors reviews the effectiveness of the risk management and internal control systems at least once per year and presents information on the functioning and effectiveness of the internal auditing system in the annual report.

4.2.5. The Company embraces the principle of clearly separating the powers of the Chair of the Board of Directors from those of the chief executive/general manager and stipulating this distinction in writing in the Articles of Association. No one in the Company is endowed with unilateral, unlimited decision-making authority.

4.2.6. While not stipulated in the Articles of Association, the Company's Chair of the Board of Directors has never been the same person as its chief executive officer since the day the Company was founded.

4.2.7. The Board of Directors has a pioneering role in maintaining effective communications between the Company and its shareholders, and eliminating and resolving potential conflicts. To this end, the Board of Directors works in close cooperation with the Corporate Governance Committee and the Investor Relations Department.

4.2.8. The Company has US\$ 45 million insurance coverage against losses the Company may incur due to negligence of the members of the Board of Directors and the coverage level exceeds 25% of the Company's capital.

### **4.3. Structure of the Board of Directors**

4.3.1. The number of Board of Directors members is determined in a manner enabling board of directors' members to work efficiently and positively, make rational decisions fast and organize formation and works of committees effectively but the number of members shall not be less than five under any circumstances.

4.3.2. Majority of the Board of Directors' members are members who do not have executive duties.

4.3.3. There are independent members capable of officiating without being under the influence of any matter among the board of directors' members who do not have executive duties.

4.3.4. The composition and election of the Board of Directors are conducted in compliance with the Corporate Governance Principles and the principles governing this process are stipulated in the Company's Articles of Association. As set forth in the Company's Articles of Association, one-third of the Board of Directors is made up of independent members as prescribed in the Corporate Governance Principles.

The names and surnames of the members of the Board of Directors are presented below as stipulated by the Company's Articles of Association. In compliance with the Corporate Governance Principles, the majority of the members of the Board of Directors are non-executive members.

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## Board of Directors

<b>Akfen Holding</b> (Representative: Hamdi Akın)	Chairman of the Board of Directors (Non-executive)
<b>Augustin Pascal Pierre Louis Marie de Romanet de Beaune</b>	Vice Chairman of the Board of Directors (Non-Executive)
<b>Tepe İnşaat Sanayi A.Ş.</b> (Representative: Ali Haydar Kurtdarcan)	Member of the Board of Directors (Non-executive)
<b>Mustafa Sani Şener</b>	Member of the Board of Directors and President & CEO
<b>Bilkent Holding A.Ş.</b> (Representative: Abdullah Atalar)	Member of the Board of Directors (Non-executive)
<b>Edward Rodolphe Paul Arkwright</b>	Member of the Board of Directors (Non-executive)
<b>Laurent Galzy</b>	Member of the Board of Directors (Non-executive)
<b>Tayfun Bayazıt</b>	Member of the Board of Directors (Independent)
<b>Necmi Rıza Bozantı</b>	Member of the Board of Directors (Independent)
<b>Jérôme Calvet</b>	Member of the Board of Directors (Independent)
<b>Didar Sevdil Yıldırım</b>	Member of the Board of Directors (Independent)

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Tayfun Bayazıt, Necmi Bozantı, Jérôme Paul Jacques Marie Calvet and Sevdil Yıldırım meet the independence criteria of the Corporate Governance Principles and they are Independent Members of the Board of Directors. No situation arose in the reporting period that would cease the independent status of the independent members of the Company's Board of Directors.

The Nomination Committee evaluates the proposed candidates, including the management and shareholders, for independent Board members based on whether the candidates meet the criteria for independence and presents its assessment in a report to the Board of Directors for approval.

4.3.5. The term of office of the independent members of the Board of Directors is three years, as stipulated by Capital Markets Board's Corporate Governance Principles.

4.3.6. Our independent members of the Board of Directors meet the independency criteria given on Article 4.3.6.

4.3.7. Within the framework of the Nomination Committee's report, the Board of Directors is responsible for preparing the independent member nominees list and sending it prior to the General Assembly meeting within the time period specified by the CMB.

4.3.8. Independent members of the Board of Directors are required to submit a written statement of independence to the Board of Directors and immediately inform the Board of Directors when their independent status ceases.

The statements of independence issued by the independent members of the Board of Directors are included in our 2013 Activity Report.

As a matter of principles, the Member of Board of Directors who loses his or her independent status resigns. In order to re-establish the minimum number of Independent Members of the Board of Directors, the Nomination Committee performs an evaluation to elect independent members to the vacated seats on the Board of Directors to serve until the earliest General Assembly meeting and presents the result of its evaluation in writing to the Board of Directors.

4.3.9. The Company, as stipulated in the Corporate Governance Principles, the Board of Directors sets a target ratio, not to be less than 25%, and a deadline to reach this target, for the share of female directors on the Board of Directors and formulates policies to attain these objectives. The Board of Directors assesses the progress made toward meeting these targets on an annual basis.

4.3.10. The members of our audit committee have 5-year experience in auditing/accounting and finance.

The resumes of our Board of Directors' members are available on 2013 Activity Report and our company's website.

#### **4.4. The Structure of Board of Directors Meetings**

4.4.1. The Board of Directors convenes at least once every two months. In 2013, the Company had total 7 (seven) Board of Directors meetings. The Chair of the Board of Directors sets the agenda of the Board meetings in consultation with other Board members and the chief executive/general manager. Members make every effort to attend every meeting and voice their opinions at the meetings. The Company accommodates Board of Directors meetings to be held in an electronic environment.

4.4.2. The chair of the Board of Directors is responsible for ensuring that the information and documents related to the items on the Board of Directors meeting agenda are made available to the members of the Board of Directors for their examination sufficiently before the meeting while abiding by the principle of equal information dissemination.

4.4.3. The opinions of members who cannot attend the meeting but who present their opinions to the Board of Directors in writing are provided to the other Board members.

4.4.4. Each member is entitled to one vote on the Board of Directors.

4.4.5. The structure of Board of Directors meetings was set down in writing as internal regulations of the Company.

4.4.6. Agenda items are deliberated openly and from many perspectives at the Board of Directors meetings. The Chair of the Board of Directors expends maximum effort to ensure active participation of non-executive members in the Board of Directors meetings. Alternative opinions expressed and opposing votes cast by members of the Board of Directors at the Board meetings are also recorded in the resolution book with their reasonable and detailed justifications.

4.4.7. The members of the Board of Directors spend a sufficient amount of time on their tasks at the Company. The members of the Board of Directors who hold positions in other companies do not create a conflict of interest and do not impede their jobs at the Company. Therefore, the Board members' assumption of duties in other companies is not subjected to certain prescribed rules or otherwise restricted. Shareholders are informed about the positions a member of the Board of Directors holds outside of the Company and the justification for them, with a distinction drawn

between duties within the Group and externally. At the General Assembly meeting the election of members is discussed as part of the related agenda item.

#### 4.5. Committees Formed under the Board of Directors

In accordance with the provisions of the Capital Markets Board's Communiqué on the Determination and Implementation of Corporate Governance Principles, the Company's Board of Directors reviewed the structure and activities of the existing committees and resolved to constitute them as follows:

<b>Audit Committee</b>	<b>Corporate Governance Committee</b>
<b>Audit Committee Chairman</b>	<b>Corporate Governance Committee Chairman</b>
Necmi Rıza Bozantı	Tayfun Bayazıt
<b>Audit Committee Member</b>	<b>Corporate Governance Committee Members</b>
Tayfun Bayazıt	D. Sevdil Yıldırım
	Augustin Pascal Pierre Louis Marie de Romanet de Beaune
	Edward Rodolphe Paul Arkwright
	Ali Haydar Kurtđarcan
	Pelin Akın
<b>Nomination Committee</b>	<b>Risk Assessment Committee</b>
<b>Nominating Committee Chairman</b>	<b>Risk Assessment Committee Chairman</b>
D. Sevdil Yıldırım	Jerome Calvet
<b>Nominating Committee Members</b>	<b>Risk Assessment Committee Members</b>
Tayfun Bayazıt	Necmi Rıza Bozantı
Augustin Pascal Pierre Louis Marie de Romanet de Beaune	Augustin Pascal Pierre Louis Marie de Romanet de Beaune
Laurent Galzy	Laurent Galzy
Hamdi Akın	Ali Haydar Kurtđarcan
Ali Haydar Kurtđarcan	Selim Akın

4.5.2. The areas of activity and operating principles of the committees were determined by the Board of Directors and disclosed publicly

4.5.3. Committee chairs were elected from among independent Members of the Board of Directors. All members of the Audit Committee are independent Members of the Board of Directors.

4.5.4. The chief executive officer is not a member of any committee.

4.5.5. A number of the Members of the Board of Directors serve on multiple committees due to the Company's ownership structure.

4.5.6. The Board of Directors provides all resources and support to the committees in execution of their functions; committees can invite the person they deem necessary to their meetings to elicit their opinions.

4.5.7. The committees seek independent expert opinions as they see fit to pursue their respective activities. While no such support service has been procured by the Company to date, advisory services the committees require shall be paid for by the Company. Information about the person/firm providing the services and whether such person/firm is affiliated with the Company will be provided in the annual report.

4.5.8. Committees document all of their work in writing and keep a record of it. The committees convene as frequently as required for the effectiveness of their activities as stipulated in the committee operating principles. They present the reports about their activities and meeting results to the Board of Directors.

4.5.9. The Audit Committee formed within the Company carries out the responsibilities stipulated in Article no. 4.5.9 of the Capital Markets Board's Corporate Governance Principles Communiqué. The Audit Committee convenes once every two months for a total of six meetings a year and presents the results of its meetings as an official report to the Board of Directors.

The annual report presents information on the activities of the Audit Committee and the results of its meetings, as well as how many times it submitted a written report to the Board of Directors during the fiscal year.

#### 4.5.10. Corporate Governance Committee

The Corporate Governance Committee determines whether the corporate governance principles are implemented at the Company; assesses the rationale for incompliance, if any, and the conflicts of interest caused by such incompliance; makes suggestions to the Board of Directors in order to improve the implementation of corporate governance; and oversees the activities of the Investor Relations Department.

#### 4.5.11. Nomination Committee

The Nomination Committee is responsible for:

- a) Undertaking efforts to create a transparent system to identify, assess and train the qualified candidates for Board of Directors and executive management positions and to formulate policies and strategies related to this subject,
- b) Conducting regular assessments on the structure and efficiency of the Board of Directors and reporting its recommendations on the changes that can be made in these areas to the Board of Directors.

#### 4.5.12. Risk Assessment Committee

The Risk Assessment Committee established by the Company is responsible for undertaking efforts for early detection of the risks that threaten the existence, development and continuity of the Company, implementation of measures against the risks identified, and management of risk. The Risk Assessment Committee reviews the risk management systems at least once a year.

#### 4.5.13. Compensation Committee

The Company has not established a Compensation Committee. The duties listed below are executed by the Corporate Governance Committee:

- a) Setting forth the remuneration principles, criteria and practices for members of the Board of Directors and executives in light of the Company's long-term objectives and overseeing the resulting compensation policy and practices,



b) Making recommendations to the Board of Directors relating to the pay packages to be offered to the members of the Board of Directors and executives, taking into consideration the level of achievement with respect to the criteria used in remuneration.

#### Company's Strategic Objectives

The vision and strategic objectives of the Company are regularly discussed and determined by the members during the Board of Directors Meeting held minimum every 2 (months) and, if necessary, they are revised and restated. If necessary, the Board of Directors might agree to assign a Senior Executive and/or Department with the task of determining and monitoring strategic objectives.

### **4.6. Financial Benefits Provided to Members of the Board of Directors and Senior Executives**

4.6.1. The Board of Directors is responsible for achieving the Company's predetermined and publicly announced operational and financial performance targets. Assessment of whether the Company achieved its publicly announced operational and financial performance targets, and the reasons for failing to meet them in the event that the targets are missed, are presented in the annual report. The Board of Directors performs a critical self-assessment and performance evaluation for the Board of Directors as a whole, for individual Board members, and for senior executives. Members of the Board of Directors and senior executives are rewarded or dismissed based on these assessments.

4.6.2. Remuneration principles for members of the Board of Directors and senior executives have been set down in writing; this matter is presented for the information of shareholders as a separate agenda item at the General Assembly meetings and shareholders are given the opportunity to voice their opinions. The remuneration policy developed for this purpose is made available on the Company's corporate website.

4.6.3. Profit sharing, share options or payment plans based on the Company's performance are not used in remunerating the independent members of the Board of Directors. Pursuant to the Capital Markets Board's Corporate Governance Principles, the Company pays a salary of US\$ 50,000 per year to each independent member of the Board of Directors commensurate with the time investment and efforts necessary for executing the duties of serving on the Board.

4.6.4. The Company did not lend money or extend credit to any member of the Board of Directors or senior executives.

4.6.5. Salaries paid and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public via the annual report. The disclosure is not made on an individual basis; it encompasses the Board of Directors and senior executives.