RAY SIGORTA A.S.

REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES 2014

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PART I

Statement of Compliance with Corporate Governance Principles

Ray Sigorta A.S. pays utmost attention and care for compliance with the Corporate Governance Principles. Ray Sigorta A.S. fully complies with the principles prescribed under the Corporate Governance Communique, numbered II-17.1, which are of compulsory nature. Compliance with a major part of the non-compulsory principles has been ensured. Actions for ensuring compliance with the principles, which have not been implemented yet, are also in progress. No conflict of interest due to any of the non-compulsory or non-implemented principles has arisen till the present. Internal regulations and arrangements are being drawn up for preventing occurrence of any conflict of interest.

In respect of the compliance issues, a committee, comprising of the staff members of the Company, has been established for the purpose of providing assistance to the Management Board; and the said committee communicates its observations regarding the compliance issues to the Management Board.

PART II - SHAREHOLDERS

2.1. Investors Relations Department

Our Company has an Investors Relations Department. Basing on the Communique, numbered II-17.1, promulgated on January 3, 2014, the said Department has undergone through an organizational change within the year. Any and all requirements prescribed under Article 11 of the Communique have been fulfilled. The Investors Relations Department carries out and fulfills all duties and tasks specified under the said communique within its own organization, and it has not delegated any duties or tasks to any other department. Accordingly;

a) The Investors Relations Department serves and functions by reporting directly to Mr. Mehmet Levent Sismanoglu, the General Manager of the Company.

b) The Investors Relations Department is accessible through the telephone number (+90) (212) 363 26 86 and the electronic mail addresses yatirimci.iliskileri@raysigorta.com.tr or investor.relations@raysigorta.com.tr.

c) The manager of the said Department is Mr. Erhan Subasi. He holds "Capital Market Activities Level - 3 License (License Number:206099) and Corporate Governance Rating License (License Number: 700859).

d) Mr. Serkan Gencer, one of the staff members of the Company, also serves at the said department.

e) The manager of the said department is a member of the "Corporate Governance Committee" which functions by reporting directly to the Board of Directors.

f) The Investors Relations Department has submitted its report regarding the activities carried out in 2014 to the Chairman of the Board of Directors on December 30, 2014.

g) The said department has primarily organized the General Assembly Meeting of the Company, and it has replied the inquiries received from the investors, and it has managed the obligations of the Company arising from the capital market regulations, and it has announced any and all information as required through the Public Disclosure Platform.

h) 24 inquiries have been received from the investors during 2014, and all of such questions have been replied in a short span of time.

i) Also, the said Department manages the "Information Society Services" and "Investor Relations" sections of the website of the Company, and ensures that the mentioned sections are kept up-to-date.

2.2. Exercise of the Right to Information by the Shareholders

The requests for information received by our company from the shareholders were responded on the following day at the latest in 2014. It has been ensured through the Material Event Disclosures made to the Public Disclosure Platform in accordance with the Communique by the Capital Markets Board (CMB) that the shareholders are informed about the Company. All information, required to be made available pursuant to the regulations, is available on the website of the Company.

Although the request for assignment of a dedicated auditor is not regulated as a right under the Articles of Association, such right may be exercised by the shareholders who hold minimum 5% of the company shares pursuant to the provisions of the Turkish Commercial Code. However, no request/inquiry in relation to such matter has been received by our Company during 2014.

2.3. General Assembly Meetings

The Ordinary General Assembly Meeting of our Company for 2013 has been held on March 31, 2014 at its principal office during 2014. The call for the meeting has been announced on the KAP (PDP-Public Disclosure Platform) on February 28, 2014, and such announcement has been issued on the Trade Registry Gazette of Turkey dated March 6, 2014. The documents drawn up in relation to our Ordinary General Assembly as well as the Annual Report 2013, auditor's reports and proposal by the Board of Directors for the operating profit of 2013 were made available to our shareholders for review twenty one days prior to the date of the General Assembly. No proposals/requests were submitted by the shareholders in respect of the agenda before the General Assembly.

During the Ordinary General Assembly Meeting, an inquiry/question has been raised by our shareholders, and such inquiry/question has been replied by Mr. Mehmet Levent Sismanoglu, who is one of the members of the Board of Directors, and the General Manager of our Company, and who has served as the chairman of the council during the said meeting.

The meeting quorum for the resolutions adopted at the General Assembly is subject to the provisions of the Turkish Commercial Code, and such quorum was achieved upon attendance of 94% of the shareholders, and open ballot has been held, and the resolutions were adopted

unanimously. The minutes of the General Assembly were announced on the Public Disclosure Platform on the same day, and were released on our Official Corporate Website on the following business day.

The Articles of Association of the Company do not prescribe adoption of resolutions regarding demerger or sales, acquisition or lease of considerable amount of assets of the Company by the general assembly. Also, as the Articles of Association of our Company contain no provisions regarding "Grants and Charitable Contributions", no grants and charitable contributions were made by our Company in 2013. Basing on the foregoing, there was no agenda item regarding such matter during the General Assembly meeting.

The General Assembly has been informed about the fact that the shareholders, holding the managerial control, the members of the board of directors, the senior executives and the spouses and the kinsmen and relatives by marriage up to second degree of such persons, have not entered into any significant business transactions with our Company that might lead to any conflict of interest, and also that such persons have not carried out any transaction which corresponds to the sphere of activity and business of our Company, either for their own account or for the account of any other persons, and also that such persons have not participated in any other company, which is engaged in any similar business activities, as an associated partner, in 2013.

2.4. Voting Rights and Minority Rights

There are no privileges granted on any shares of the Company whatsoever. Our shareholders have made no requests with regard to representation of their minority shares in the management. There is no cumulative voting practice.

2.5. Dividend Rights

There are no privileges granted in respect of participation in the profits of our Company.

The principles for distribution of dividends as prescribed by the Articles of Association of our Company have been released to public with our "Dividend Distribution Policy" approved by our General Assembly on Monday, March 31, 2014.

The "Profit Distribution Policy" of our Company is available under the Annual Report and on the Corporate Website, and is readily accessible by the shareholders.

The profit gained from the activities and operations carried out during 2013 has been deducted from the accumulated losses, and no profit has been distributed.

2.6. Transfer of Shares

Our articles of association read: "Acquisition of shares corresponding to 10% or more of the Company's capital by any real or legal persons; and any acquisition of shares by any shareholders so that the shareholding of such shareholder exceeds 10%, 20%, 33% or 50% of the Company's capital and any transfer of shares, which will cause the shareholding of any shareholder to decrease below the said percentages, shall be subject to permission by the Undersecretariat of Treasury. Any entries to the share register contrary to the provisions herein shall be null and void. The provisions of the foregoing paragraph shall also apply to the entitlement to the usufruct right and the right to vote". Such provision has been specified under the articles of association as per the Insurance Law numbered 5684.

Apart from such statutory obligations, the articles of association prescribe no limitations with regards to the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Contents

The official website of our Company is available on www.raysigorta.com.tr The "Investor Relations" section on the website of our Company contains the Basic Company Information which also covers the Shareholding Structure of our Company, and details about the Articles of Association and the General Assembly Meetings, as well as the details about the Members of the Board of Directors and the Committees affiliated thereto, our Annual Reports, Financial Statements and Independent Auditor's Reports, Codes of Conduct, Company Policies, Report on Compliance with the Corporate Governance Principles, the material disclosures submitted to the Public Disclosure Platform, and also the details about the Persons Authorized to Represent the Company. Pursuant to Article 1524 of the Turkish Commercial Code, our website is accessible by anyone, and serves in accordance with the statutory obligations. Allocation to information society services in respect of our Company information has been conducted by the Central Registry Agency in accordance with the "Regulation on Websites" published by the Ministry of Customs and Commerce of the Republic of Turkey. The Company information retained by the Central Registry Agency can be accessed by visiting "Information Society Service" on our website. All information available on our website is also provided in English.

3.2. Annual Report

The entire information prescribed under the Corporate Governance Principles is covered by the Annual Report of the Company.

PART IV- STAKEHOLDERS

4.1. Disclosure to Stakeholders

Our shareholders, investors, financial institutions, agencies and other suppliers, who all together constitute the stakeholders of Company have access to information and details about the Company through our web site in addition to public disclosures, statutory regulations and

material event disclosures. Any mechanisms needed for communication by stakeholders of any non-compliant or unethical actions and transactions to the Corporate Governance Committee and Audit Committee of the Board of Directors are in place.

The employees of the Company have access to information about the company and industry, regulations and training activities through the Company Portal.

"Agencies" and "Brokers", being our most important distribution channels, may also receive information about the Company practices, regulations and products through the Company Portal. Also, our technical divisions and the marketing departments hold meetings within certain time intervals, and thus their contribution to the arrangements is ensured in line with the requests of the same.

4.2. Stakeholders' Participation to Management

The Articles of Association do not contain any provisions requiring shareholder's participation to the management of the company.

However, the opinions regarding such matter are obtained at the meetings held with the Company's Employees and the Agencies and Brokers, which are our business partners, and thereby an exchange of opinions is achieved. The results of such meetings, as well as any proposals and requests, are reviewed and assessed at the Board of Directors and the Management Board of the Company.

4.3. Human Resources Policy

Our goal is to ensure effective planning, management, constant development and improvement of the human resources potential as well as to release and drive the potential energy to serve such goals.

For this purpose, in line with the mission, vision and goals of our Company, we implement an objective and competence-oriented recruitment and placement process, which aims at placing the right person to the right position, within the framework of our fundamental values. In this respect, we organize orientation and development trainings to speed up the adaptation process of recently recruited employees to our corporate structure and to provide them with the background knowledge required for their profession.

We help our employees work in line with the corporate goals, and focus on a common goal through our Goal-Oriented and Competency-Based "Performance Management" process. This process, which is announced to our employees through "Performance Management Regulation", comprises the stages of goal-setting, monitoring, evaluation and feedback. By such a performance management process, we aim to evaluate the employees objectively, and plan the outputs of the system such as promotion, wages, development and career planning in an effective and accurate way.

Our corporate strategies as well as the changing and evolving needs of our employees and customers show us in which aspect we should improve our specialties and competences. In

line with such needs, we offer trainings that provide constant development opportunities for our employees and business partners.

The Human Resources Department of our Company carries out such activities in accordance with the below given Human Resources policies.

• Any racial, ethnic, national, religious and sexual discrimination is against our HR policy; we provide equal opportunities to people with equal conditions; our compensation and promotion processes are based on performance and efficiency, and open door policy is applied across the company.

• The employees, who hold the professional qualifications, required for performance of the assigned duties, are selected for managerial positions.

• A safe and healthy working environment and career development opportunities are provided to the employees.

The details of our human resources policy are also provided under our codes of conduct/ethics disclosure to the public.

There is no practice of appointing a representative to manage employee relations. The Human Resources Department manages the relationship between the Company officials and employees, and ensures that all employees work in an environment of open and transparent communication with their managers and Company officials. The roles and responsibilities of all employees are determined with job descriptions and communicated to employees.

No complaints of discrimination have been filed by any employees.

4.4. Codes of Conduct/Ethics and Social Responsibility

Our Codes of Conduct/Ethics have been announced on our website.

Ray Sigorta summaries its fundamental values as follows:

As Ray Sigorta,

We are a family,

We are honest,

We respect ethical values,

We are fair,

We are transparent and collaborative,

We are strong together,

We are creative and productive,

We value people.

Our managers and employees observe these fundamental values in everything we do, and pay their best efforts to optimize the reputation of our company and shareholders. As part of our corporate governance policy, we operate with organizational models which support management of our individual and corporate risks with a constantly increasing level of efficiency.

All employees of the company perform their duties in accordance with the codes of conduct/ethics approved by our Board of Directors. Our codes of conduct/ethics are provided below; implementation of such codes of conduct/ethics approved by our Board of Directors is supervised, reviewed and assessed constantly by our Ethics Committee in accordance with the rules designated under the corporate Regulation of the Ethics Committee.

Our Codes of Conduct/Ethics:

-Our operations are carried out on the basis of the applicable statutory legislation, the articles of association, internal regulations and policies set by the Company.

- Any off-the-record transactions are strictly forbidden; it is essential to keep business records in an accurate and consistent manner.

- Any company information of confidential nature as well as trade secrets and customer information shall be kept confidential.

- We provide employee personal rights in a complete and proper manner; and aim to offer a healthy, safe and productive working environment to our employees.

- We are committed to initiatives for protection of democracy, human rights and environment, and try to take part in appropriate initiatives.

- We provide timely, accurate and complete information about our strategies, investments, risk profile and financial statements to our shareholders and in our public disclosures.

- We treat fairly and respect our business partners, suppliers and other persons and organizations with whom we are engaged in business relationship; we pay due care to perform our obligations in a timely fashion.

- We aim to establish a long-term and steady collaboration with the persons and organizations we do business with and pay attention to protect their confidential information.

- We avoid unfair competition, and compete only within a legal and ethical framework.

Our Company supervise fulfillment of our responsibilities in relation to protection of environmental pollution and conservation of natural resources during the course of its operations.

No actions have been filed against our Company due to any damage to environment within the said period.

We, at Ray Sigorta, have always been committed to carrying out all of our business processes with a focus on "human", and adding value to the lives of our employees, customers and all stakeholders since the day when our Company was founded; and we remain committed to our social responsibilities and maintain social responsibility projects in order to serve to the future of our country and the communities where we operate. Ray Sigorta measures success not only against financial outcomes achieved, but also against its vision of being a value-creating company.

We have rolled out the project "Gonulluyum Yanindayim (I Volunteer to Stand By You) in line with the principle of making a positive influence on people's lives. The "Gonulluyum Yanindayim" (I Volunteer to Stand By You) project of Ray Sigorta, developed as part of the "Social Active Day" project of our parent company Vienna Insurance Group (VIG), which is one of the most prominent insurance companies of the Central and Eastern Europe, is intended to contribute to the education of children with "Mental Disabilities", an important problem of our country, on a business day every year, on voluntary basis, making a positive contribution to the social development.

The project enables Ray Sigorta employees to contribute to the education of children with mental disabilities and to the development of their roles in social life as well as to provide solutions to social problems with common efforts and common sense.

PART V- BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

The Company and its business are managed and carried out by the Board of Directors, which consists of six members elected by the General Assembly as prescribed by the applicable provisions of the Turkish Commercial Code and the Capital Markets Law.

The Insurance Law numbered 5684 reads "Boards of Directors of Insurance and Reinsurance Companies may not have less than five members, including the General Manager; the General Manager is a board member as of right." Accordingly, the General Manager of the Company serves as a member of the Board of Directors.

The Office of Chairman of the Board of Directors and the Office of General Manager are held by different persons in our Company.

The Members of the Board of Directors of our Company, their resumes and positions are given as follows:

Full Name	Appointed on	Position – Committees
Martin SIMHANDL	12.04.2011	**Chairman of the Board of Directors** **Member of Corporate Governance Committee** **Member of Early Identification of Risk Committee**

Holds a degree in Law.

He has held various offices within the organization of Vienna Insurance Group AG between 1985 and 2004. He has been serving as the Member of the Managing Board, CFO of Vienna Insurance Group AG since 2004.

He has no executive duties or responsibilities at the Company.

Full Name	Appointed on	Position – Committees
Ismail Hakki ERGENER	**18.09.2012**	**Deputy Chairman of the Board of Directors** **Independent Member** **Chairman of the Audit Committee** **Chairman of the Corporate Governance Committee** **Chairman of the Early Identification of Risk Committee**

Holds a degree in economics.

He has served at various banks in Turkey and Europe since 1984. He has worked at Express Trade Bank between 1995 and 2007, and at Denizbank AG between 1997 and 2008, and at Eurocity Bank AG between 2012 and 2013, as CEO and General Manager. As of 2009, he has been serving as the CEO at SK Danube AG.

Full Name	Appointed on	Position – Committees
Josef AIGNER	29.03.2013	**Member**

Holds a degree in Chemistry.

He has served at the Allianz Insurance Group between 1995 and 1999, and at Vienna Insurance Group AG between 2000-2007. He has been serving as the Head of Corporate Business Department of Vienna Insurance Group AG since 2007.

He has no executive duties or responsibilities at the Company.

Full Name	Appointed on	Position – Committees
Gerald KLEMENSICH	11.06.2014	**Member of the Corporate Governance Committee** **Member of the Early Identification of Risk Committee**

He has served as Shipping Surveyor and Claims Examiner at various insurance companies between 1993 and 1995. He has held various offices within the organization of Vienna Insurance Group AG between 1995 and 2004. Since 2007, he has been serving as a Senior Executive in Reinsurance Department of Vienna Insurance Group AG, and a member of the board of directors of Wiener RE.

He has no executive duties or responsibilities at the Company.

Full Name	Appointed on	Position – Committees
Stefan WALDNER	15.10.2014	**Independent Member** **Member of the Audit Committee**

He holds degrees in Economics and Business Administration. He holds a master's degree on Social Economic Sciences.

Between 2000 and 2005, he has served as Investment Banking Analyst and associate at Merrill Lynch International, London. He has served as a senior executive at OMV Aktiengesellschaft, Vienna between 2005 and 2014. Since 2011, he has been serving as a Member of the Board of Directors of OMV Petrol Ofisi A.S. He has been serving as the CFO and the Member of the Executive Board at OMV Petrol Ofisi A.S. as of 2014.

Full Name	Appointed on	Position – Committees
Mehmet Levent SISMANOGLU	01.08.2010	**Member and General Manager**

Holds a degree in Economics.

He has served as a sales manager at various companies between 1994 and 1996. Between 1997 and 2003, he has served as the Regional Director at Garanti Sigorta A.S. He has continued his career as an insurance agent and instructor between 2003 and 2007. He has started to serve as a Director at Ray Sigorta A.S. in 2007, and he has been appointed as the General Manager in 2010.

The Members of the Board of Directors Who Withdrawn During the Period:

Karl FINK	Chairman	(He withdrawn from his membership on 11.06.2014.)
Reinhard PICHLER	Independent Member	(He withdrawn from his membership on 15.10.2014.)

One of our independent members of the Board of Directors withdrawn from the membership in 2014. Pursuant to the communiques promulgated by the CMB, our Corporate Governance Committee, which also serves as the Nomination Committee, has submitted the report, whereby it has proposed the nominee independent member meeting the independence criteria as required under the relevant communique, to our Board of Directors on October 14, 2014. At its meeting, dated October 15, 2014, our Board of Directors has appointed Mr. **Stefan WALDNER** as the independent member to be submitted to the approval by the General Assembly at the immediate General Assembly Meeting. Our new Independent Member of the Board of Directors submitted his statement of independence on Monday, October 13, 2014 to our Corporate Governance Committee.

All members of the Board of Directors are non-executive members, except for the General Manager. Assumption of any other roles by the members of the Board of Directors externally is not subject to any regulations, and non-executive members of the Board of Directors have external roles in the other companies of the group.

Between 2011 and 2012, a female member of the Board of Directors has served. She has resigned in 2012. Our Board of Directors is looking for a female member who would create added value for our Company and be acquainted with the industry. If any such eligible member is found and any seat of the Board of Directors becomes vacant, then such person shall be nominated as the member of the board of directors at the General Assembly meeting.

5.2. Principles of Operation of the Board of Directors

Article 18 of our Articles of Association prescribes that the Board of Directors must convene minimum 4 times in a year. Furthermore, where no member calls the board for a meeting, the resolutions of the board of directors may be adopted by affirmative votes of the minimum majority of all members for a letter of proposal written in the form of a resolution, by one of the board of members on a certain matter, without holding a meeting physically.

The items to be discussed during the meetings shall be determined by the Chairman of the Board of Directors through an agenda before the meeting. However, any inquiries/requests received from the members shall also be taken into account while determining the agenda. The agenda shall be served in writing to the members at least 15 days in advance of the date of meeting.

During 2014, our Board of Directors has convened for 4 times. The meetings of the Board of Directors have been held upon attendance of all members of the same. There has been no absentee member. The resolutions have been adopted unanimously by the attendees at the meetings of the Board of Directors so far, and no reasons for voting have been expressed for different opinions on the issues discussed at the meeting. Also, no inquiries, which should be recorded, were made by the members, who constantly exchange opinions with each other.

No member of the Board of Directors is granted with the right to weighted vote or veto power.

No insurance has been caused to be made for any damage and/or loss which may arise from any negligence of the members of the Board of Directors during performance of their duties.

5.3. Number, Organization and Independent Status of the Committees of the Board of Directors

The Audit Committee, Corporate Governance Committee and Early Identification of Risk Committee have been formed at our Company to assist the Board of Directors in performance of its duties and obligations properly, in accordance with the applicable regulation of the CMB.

1) **Audit Committee** : Committee members;

   a) Ismail Hakki Ergener Chairman

   b) Stefan Waldner Member

As per the communiques of the CMB, members of the Audit Committee are the persons holding the qualifications required by their roles, and have been selected among the independent members of our Board of Directors who do not have executive functions.

As per its Internal Directive, the Audit Committee is responsible for supervising operation of accounting and financial reporting mechanisms, disclosure of financial information and reports, and effectiveness of the operation of independent audit and internal control systems. It is also responsible for preliminary selection of the Independent Audit Company and submission of such company to opinion of the Board of Directors.

The Audit Committee carries out its operations in accordance with the "Directive for Audit Committee" which sets out the procedures and principles for its operations; it convenes 4 times a year on minimum basis and submits its meeting resolutions to the Board of Directors in writing.

The said Committee has convened 4 times during 2014. The new independent audit company has been determined and submitted to the opinion of the Board of Directors before the

General Assembly. The said Committee has conducted the preliminary review of the quarterly disclosed financial statements, and it has submitted the same to the Board of Directors for approval to disclose.

2) **Corporate Governance Committee** : Committee members;
   a) Ismail Hakki Ergener Chairman
   b) Martin Simhandl Member
   c) Gerald Klemensich Member
   d) Erhan Subasi Member (Investors Relations Manager)

The members of the Corporate Governance Committee are appointed by the resolution of the Board of Directors among its non-executive members in accordance with the regulations of the Capital Markets Board and the Investors Relations Manager, provided that the Head of the Committee shall be an independent member. The committee consists of 4 members. As per its Internal Directive, the said Committee is not subject to any quorum for meeting, but it may convene upon the times so required.

The Corporate Governance Committee is responsible for supervising the compliance with the "Corporate Governance Principles" published by the Capital Markets Board and determining the reason for any non-compliance, if any, as well as for identification of any possible risks that might arise from and/or in connection with any non-compliance with such principles by the Company, including the risk of conflict of interests, for submitting recommendations to improve compliance with such principles and any practices in relation thereto, and for carrying out the functions of the Nomination Committee and Remuneration Committee governed by the Corporate Governance Principles published by the CMB, in accordance with the operating procedures and principles set out by the Directive for Corporate Governance Committee.

The Corporate Governance Committee has convened 2 times during 2014. During such meetings, compliance of the Company with the Corporate Governance Principles has been reviewed, and the Board of Directors has been informed accordingly. Also, at one of its meetings, the said Committee has carried out some actions in respect of determination of a new independent member in lieu of the independent member of the board of directors who has resigned; and it has submitted its report in relation to the new member determined by the same to the opinion of the Board of Directors.

3) **Early Identification of Risk Committee**: Committee members;

   a) Ismail Hakki Ergener Chairman
   b) Martin Simhandl Member
   c) Gerald Klemensich Member

Early Identification of Risk Committee has been composed of three members on condition that its chairman is an independent member. The duties of such Committee are set out under its respective directive. The committee is responsible for "identification of any risks that might threaten the existence, development and sustainability of the Company at an early stage, and taking necessary actions and managing risks in case that any such risks are identified." For such purpose, it has been intended to ensure that the said Committee submits proposals to the Board of Directors. The Committee meets bimonthly.

The said Committee has convened 6 times during 2014. The reports, drawn up by the Internal Control and Risk Management, and Internal Audit divisions within the organization of the Company, have been discussed; and the Board of Directors and the Executive Divisions of the Company have been informed about the opinions of the said Committee in respect of any risks which have either occurred or are probable to occur. The actions taken have been reviewed at the next meeting.

Excluding the Investors Relations Department Manager, the members serving at such three committees have been designated among the non-executive members of the Board of Directors. Due to the fact that the number of the non-executive members of the Board of Directors is five, a member becomes obliged to serve as a member at multiple committees; and serving at multiple committees does not create any unfavorable circumstance in respect of performance of the activities and operations.

5.4. Risk Management and Internal Control Mechanism

The "Regulation on the Internal Systems of the Insurance, Reinsurance and Pension Companies", numbered 26913, dated June 21, 2008, promulgated by the Undersecretariat of Treasury of the Republic of Turkey, sets out the procedures and principles for functioning and operation of the Internal Control, Risk Management and Internal Audit systems to be established within the organization of any insurance and reinsurance companies established in Turkey, any insurance and reinsurance companies at any foreign countries, as well as the branches, situated in Turkey, of any insurance and reinsurance companies established at foreign countries, and any pension companies. Pursuant to such regulation, the Companies are responsible for establishment, operation and improvement of adequate and effective internal systems in conformity with the scope of activities and structure thereof and with the changing conditions, in accordance with the principles and procedures set out by the regulations brought into effect by all regional directorates and departments, in order to ensure that any risks, to which they are exposed, are followed-up and controlled.

In accordance with the said regulation, the Internal Control mechanism of our Company has been designed from a perspective recognizing that the internal control activities form a part of all routine activities and operations of the Company.

The risk management activities of our Company are intended to integrate the Risk Management system into the existing functions and processes of our Company, and to ensure its implementation throughout the Company as well as to protect the capital structure, ensure

efficient and productive capital management, proper management of the risk identified on the way to achieving company goals, to reinforce planning and decision-making processes and enhance the added value of the activities by means of creating a risk culture throughout the Company.

5.5. Strategic Targets of the Company

The Company's Budget-Planning Department draws up the budget figures together with the sales, marketing, technical divisions and reinsurance, claims, human resources, information technologies and administrative affairs, in line with the economic developments for a period of 3 years. Such budget figures undergo the preliminary approval of the Managemet Board. For the purpose of determining the strategic targets of the Company, the Board of Director convenes once a year. The division managers, who are considered to be requisite, shall also attend such meeting, in addition to the members of the management board. The strategic targets determined at such meeting are revised on the basis of the budget figures for 3 years, and the final targets and figures are approved at the next meeting of the Board of Directors. At a meeting of the board of directors, to be held within the first half of the new year, the activities and operations for the past year, as well as the performance of any such activities and operations are reviewed. The level of accomplishment of the strategic targets is scrutinized. Also, the board of directors definitely holds discussions quarterly in relation to the performance in the past period. The Budget and Planning division within the organization of the Company stands as the major assistant of the Board of Directors. The Company's overall performance is reported on monthly basis by such division.

5.6. Financial Benefits

As provided under the articles of association of the Company, the remuneration and other allowances paid to the members of the Board of Directors due to their such capacity are determined by the General Assembly. Remuneration amounts for previous years have been submitted to the General Assembly for information; and are also included in the annual report. Besides, there is a "Remuneration Policy" set out by our Board of Directors. The said policy is available on our Corporate Website. Any and all financial benefits granted to the members of the Board of Directors and the senior executives are mentioned in our annual report.

Overall performance of the company is taken into account in determination of the financial benefits provided to the Board of Directors.

No stock options or performance-based payment plans are being used for remuneration of the Independent Members of the Board of Directors. Remuneration of the independent members is based on the criterion of protection of independent status.

The Company does not lend or extend loans to any Member of the Board of Directors.

The Members of the Board of Directors may not receive any cash or non-cash loans from the Company directly or indirectly, and no guarantees such as surety, etc. are provided by the Company in favor of the members.

The remuneration and bonuses paid to the Senior Managers/Executives by the Company are determined by the Board of Directors. Overall performance of the company is taken into account in determination of the financial benefits provided to the Senior Managers/Executives of the Company.