RAY SİGORTA A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

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SECTION I

Corporate Governance Principles Compliance Statement

Ray Sigorta A.Ş. shows great care and diligence for compliance with the Corporate Governance Principles. All of the mandatory principles contained in the Corporate Governance Communiqué no. II-17.1 are fully complied with. Most of the non-mandatory principles are already complied with. Actions taken for compliance with the principles which are not yet implemented are also being continued. Explanations are given in the foregoing sections of this Report with regard to the non-mandatory principles.

No conflict of interests has yet arisen till date with respect to the non-mandatory and non-implemented principles. Internal arrangements have been made in order to avoid conflicts of interests.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

Investor Relations Department of our Company is carrying out its activities within the frame of the relevant Communiqué. All conditions listed in article 11 of the Communiqué have been satisfied. The Investor Relations Department is performing all of its duties listed in the Communiqué in its own organization, and has not delegated any of its duties to other units or departments. Accordingly:

a) The Investor Relations Department reports directly to the Company General Manager Mr. Koray Erdoğan.

b) The Investor Relations Department is accessible through telephone number (+90) (212) 363 26 86, and through electronic mail address yatirimci.iliskileri@raysigorta.com.tr.

c) The Department is headed and directed by Mr. Erhan Subaşı who holds a “Capital Market Activities Level-3 License” (License No. 206099) and a “Corporate Governance Rating License” (License No. 700859).

d) The Department is further manned by Mr. Sedat Yüksel, an employee of the Company.

e) Erhan Subaşı, Head of the Department, is at the same time a member of “Corporate Governance Committee” reporting to the Board of Directors.

f) The Investor Relations Department has submitted its activity report of 2017 to the Chairmanship of Board of Directors of the Company on 29th of December, 2017.

g) The Department has mainly organized the Company’s General Assembly Meeting, and replied the questions of investors, and managed the performance of obligations of the Company arising out of capital markets, and informed the public through Public Disclosure Platform.

h) During 2017, 158 questions have been asked by shareholders and other investors, and all of these questions have been replied in a short time.

i) Moreover, “Information Society Services” and “Investor Relations” sections of Internet Site of the Company are managed and kept up-to-date.

2.2. Use of Right to Information of Shareholders

During 2017, information requests of shareholders of our Company have been responded the day after at the latest. Stakeholders are kept informed about the Company through Public Disclosures of Material Events published via Public Disclosure Platform pursuant to the Communiqué of the Capital Markets Board (CMB). All of the mandatory information required to be kept pursuant to the applicable laws can be retrieved via Internet site page of our Company.

Though the request of appointment of a private auditor has not been granted as a right in our articles of association, this right can be used by our shareholders holding 5% or more of shares of the Company pursuant to the provisions of the Turkish Commercial Code. However, no request has been received by our Company in connection therewith during 2017.

2.3. General Assembly Meetings

Only one General Assembly Meeting has been organized during 2017

Annual Ordinary Meeting of the General Assembly of Shareholders of our Company for the fiscal year 2016 has been held in our Company's headquarters on 31st of March, 2017. Call for the meeting has been announced in the Public Disclosure Platform on 28th of February, 2017, and has been published in the Turkish Trade Registry Gazette on 8thd of March, 2017. Documents prepared for our Annual Ordinary General Assembly Meeting, 2016 yearly Annual Report, auditor reports and the Board of Directors' proposal for 2016 yearly profit have been presented to our shareholders for consideration three weeks prior to the date of General Assembly Meeting. No demand has been received from our shareholders with regard to meeting agenda prior to the General Assembly Meeting

Questions have been asked by two shareholders during the Annual Ordinary General Assembly Meeting and these questions have been replied by the meeting chairman during the meeting.

As for the decisions of the General Assembly of Shareholders, meeting quorum is subject to provisions of the Turkish Commercial Code, and 95% of capital shares have been represented in the meeting, and open ballot has been used, and decisions have been taken unanimously. Minutes of the General Assembly Meeting have been announced in the Public Disclosure Platform in the same day, and have been published in our Company's Official Internet Site the first business day thereafter.

Our Company's Articles of Association does not contain a clause stating that such decisions of the Company as split-up, and sales, purchase and lease of substantial amounts of assets, are required to be taken by the General Assembly of Shareholders.

Furthermore, as our Company's Articles of Association does not contain a clause relating to "Donations and Grants", our Company has not made any donation or grant, nor has a topic relating to donations and grants been included in agenda of the General Assembly meeting.

The General Assembly of Shareholders is informed that the shareholders holding the control of management, the Directors, the top echelon executives and their spouses and their blood relatives and relatives by marriage up to second degree have, during 2016, not been involved in a material transaction which may lead to a conflict of interests with our Company, and not

entered into business activities covered by the fields of business of our Company in their own account or in the account of third parties, and not entered into another company engaged in the same types of commercial activities as and in the capacity of a partner with unlimited liability.

Furthermore, information has been given about “Remuneration Policy” of our Company which has been revised and renewed during the year, and fees payable to the Directors have also been presented to the shareholders for approval purposes. “Renumeration Policy” is published and disclosed on the internet site of the Company.

2.4. Voting Rights and Minority Interests

No privilege is granted on share certificates of the Company. Nor does the Articles of Association of the Company contain a clause relating to minority interests and rights.

Our shareholders have not made any demand for representation of minority interests in management. An application relating to cumulative voting system and method is not in place either.

2.5. Dividend Rights

There is not in place priviledge on participation in profit of our Company.

Profit distribution principles included in the Articles of Association of our Company have been made public with the “Profit Distribution Policy” approved by our General Assembly of Shareholders on 31st of March, 2014.

Our Company’s “Profit Distribution Policy” is included in the Annual Report and in our Company’s Internet Site, and is open to access of shareholders.

Due to the balance in the Account of Accumulated Losses from the Previous Year, no profit resulting from business operations of 2016 has been distributed by a decision of the General Assembly of Shareholders.

2.6. Transfer of Shares

The Company’s Articles of Association contains a clause providing that: “Acquisition by a natural person or a legal entity of shares representing 10% or more of capital, and share transfers paving the way for shareholding of a partner to exceed 10%, 20%, 33% or 50% of capital of the Company, and share transfers paving the way for shareholding of a partner to fall below the aforesaid rates are subject to a prior consent and permission of the Treasury Undersecretariat. Records made in share book in violation of this provision are null and void. The provisions of this paragraph are applicable also in the case of acquisition of voting rights by right of usufruct.” This clause is included in the Articles of Association pursuant to the Insurance Law no. 5684.

Other than these legal requirements, the Articles of Association does not contain any restriction on transfer of shares.

SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Internet Site and Its Contents

Our Company's official internet site is located at the address of **www.raysigorta.com.tr.** The Investor Relations section of internet site of our Company contains the Basic Information of Company also including the Shareholding Structure of our Company, as well as Articles of Association, information on General Assembly Meetings, information on Directors and on Committees of Board of Directors, our Annual Reports, Financial Statements and Independent Audit Reports, Ethical Rules, Company Policies, Corporate Governance Principles Compliance Report, disclosures published through Public Disclosure Platform, and information about Authorized Signatories. Pursuant to Article 1524 of the Turkish Commercial Code, our internet site is open to access by everyone, and provides its services pursuant to the legal obligations. Pursuant to the "Regulation on Internet Sites To Be Opened By Capital Companies" published by the Republic of Turkey, Ministry of Customs and Trade, the allocation service for our Company's information is being received from the Central Registry Agency. The Company data and information kept by the Central Registry Agency can be retrieved through "Information Society Services" and "Public Disclosures of Material Events" sections of our Internet Site. All of the information contained in our own internet site is further accessible in English

3.2. Annual Report

The Company's Annual Report contains all of the information specified by the Corporate Governance Principles Communiqué and other applicable laws and regulations.

PART IV – STAKEHOLDERS

4.1. Informing Stakeholders

Shareholders, investors, financial institutions, our agencies and other suppliers, constituting our stakeholders, can retrieve all information about our Company through our internet site, in addition to public information, legal arrangements and public disclosures of material events. Mechanisms needed by our stakeholders to report the Company's unlawful and unethical acts and actions to the Corporate Governance Committee and the Audit Committee operating in the organization of the Board of Directors have been established.

The Company employees have access to Company information, regulations, information on sector of the Company, and training activities through the Company Portal.

Our most important distribution channels, i.e. "Agencies" and "Brokers", have access to information about the Company practices, applicable laws, and products through the Company Portal. In addition, our Technical Units and Sales / Marketing Departments organize meetings with them with certain intervals, in order to get their contributions to applications and regulations in line with their demands.

4.2. Participation of Stakeholders in Management

Our Articles of Association does not contain a clause pertaining to participation of stakeholders in the Company management.

As our Company is operating in the insurance sector and its fields of business cover operations which require a certain competence and specialization, it is believed that it is not easy to ensure participation of stakeholders in management / to get contributions of stakeholders for management. In meetings held with our Company Employees, business partners, Agents and Brokers, opinions are exchanged about the Company activities and operations. Results, suggestions and demands of such meetings are discussed in meetings of the Board of Directors and the Management Board of our Company.

4.3. Human Resources Policy

Our purpose is to ensure that our Company's human resources potential is effectively and efficiently planned, managed, continuously developed and improved, and the existing abilities and energy are released and are directed in line with the goals and targets of our Company.

To this end, we are carrying out an objective and competence-based recruitment and placement process aiming to place the right person in the right job within the frame of our core values and along with the goals and targets of our Company. Accordingly, we are organizing orientation and development trainings in order to speed up the adaptation of our newly recruited employees to our corporate structure, and to build up their professionally needed infrastructure

Through an effective "Performance Management" process, we are encouraging our employees to work towards the Company goals and to focus on the same goals. This process announced to our employees through "Performance Management Regulation" is comprised of goal setting, monitoring, assessment and feedback stages. This type of performance management process aims to ensure that the employees are assessed and rated objectively, and such results of the system as promotion, wage, development and career planning are planned effectively and accurately.

Both the Company strategies and the changing and developing needs of our employees and customers show to us in which direction we must develop our competences and specializations. Along with these needs and requirements, we are providing continuous development trainings to our employees and business partners.

Our Company's Human Resources Department is performing its job duties within the frame of the following Human Resources policies:

- In human resources, no discrimination is made for race, ethnical origin, nationality, religion and gender, and equal opportunities are provided to persons under equal conditions, and wages and promotions are based on performance and productivity, and an open door policy is applied.
- Only those who have professional qualifications required for performance of the job duties are elected as managers.
- In the premises, a safe and healthy working atmosphere and a career development opportunity are provided to the employees.

Details of our human resources policies are also included in our ethical rules made public.

No representative is appointed in our Company for handling the relations with employees. The Human Resources Department manages the relations between the Company executives and

employees, and all our employees are working in open and transparent communication with their executives and managers of the Company. Duties and responsibilities of all employees are determined in their job definitions and are within the knowledge of the employees.

As a requirement of Occupational Health and Safety (OHS) rules, all our employees have so far been trained by our Occupational Safety Specialist and our Workplace Doctor as stipulated in the Regulation on Procedures and Principles of Workers' Health and Safety Training of Employees. After these trainings, OHS Training Participation Certificates have been issued and given to all our employees.

Furthermore, training has been given about emergencies and job duties of emergency teams, and an evacuation drill has been organized in 2017, thereby making sure that all employees are prepared for such emergencies as Fire, Earthquake, etc.

Protective and therapeutic medicine services are provided to all our employees by our Workplace Doctor.

In recruitment of new personnel, tests, controls and health examinations are conducted for Health Reports.

A first aid bag is placed in, and one stretcher is procured for, each floor for use in probable injuries.

As per the applicable laws, an adequate number of first aid teams are formed, trained and certificates as required.

In total, the Occupational Health and Safety Board has met 4 times for discussion of health and safety risks in our premises. As a precaution against probable risks, and as a part of Workers' Health and Safety, a "Near Miss Box" has been placed in the premises in order to collect and urgently address the demands, suggestions and proposals of our employees. The Occupational Health and Safety-related requests of our employees are dealt with and evaluated in the Board meetings, and the most appropriate actions are taken as required.

4.4. Ethical Rules and Social Responsibility

Our Company's ethical rules have already been published in our internet site.

Our executives and employees comply with these basic values in all kinds of their relations and affairs, and do their part in order to maximize the prestige and reputation of our Company and its shareholders. As a part of our corporate governance policy, we work with organization models supporting the management of our individual and corporate risks with a continuously increasing efficiency.

All employees of the Company perform their job duties in accordance with the ethical rules approved by our Board of Directors. Our general ethical rules are listed hereinbelow, and it is the responsibility of our Company's Ethical Committee to supervise the implementation of our ethical rules approved by our Board of Directors, and to continuously revise, review and assess the same, within the frame of rules determined in the Company's Ethical Committee Regulation.

Our general ethical rules are as follows:

- The Company carries out its business activities in accordance with the applicable laws and regulations, articles of association, internal bylaws and regulations, and policies of the Company.
- Unrecorded activities are forbidden. All business records are required to be accurate, true and consistent.
- Confidential information and trade secrets of the Company and all data and information about its customers are kept in strict confidence.
- Our employees are completely and accurately informed about their rights and interests, and we aim to provide them with a healthy, safe, secure and productive working atmosphere.
- We act sensitively in activities for protection of democracy, human rights and environment, and try to play a role in appropriate activities.
- We give timely, accurate and complete information about our strategies, investments, risk profile and financial statements both to our shareholders and in our public disclosures.
- We behave fairly and respectfully to all our business partners, suppliers and other persons and entities which have business relations with us, and we do our best in order to perform our obligations in a timely manner.
- We aim to establish a long-term and stabilized cooperation with all persons and entities which have business relations with us, and we strictly protect their confidential information as well.
- We compete only in legal and ethical fields, and avoid unfair competition.

In the course of its business activities, our Company endeavors to fulfill and perform its responsibilities relating to prevention of environmental pollution and protection of natural assets and resources.

During the subject period, no action for damages has been brought forward against our Company due to environmental damages.

Managing all of its business processes on its focal point of “human” and working for adding value to lives of its employees, policyholders and all of its stakeholders since its first day of foundation, Ray Sigorta is dealing with various social responsibility activities serving for the future of our community and country, without ever forgetting its social responsibilities. Ray Sigorta measures its success not only with its financial results, but also with its goal of being a value creating company, as also specified in its vision.

Within the frame of “Social Active Day” project of our parent company, Vienna Insurance Group (VIG), Ray Sigorta has organized and performed various social responsibility activities in 2017. During 2017, we have continued the project initiated in cooperation with ‘Youth Re-autonomy Foundation of Turkey’ in order to smooth the way for refugee children to adapt to our country. Moreover, in order to spend more time with children and to reach more children in need, we have organized, in cooperation with the Education Volunteers Foundation of Turkey, a museum tour that a group of primary school students and our employees participated in.

SECTION V - THE BOARD OF DIRECTORS

5.1. Composition and Organization of the Board of Directors

The Insurance Law no. 5684 provides that: "Board of directors of insurance companies and reassurance companies cannot consist of less than five directors, including General Manager. General Manager is a natural member of the Board of Directors." Accordingly, Company General Manager is at the same time serving as a member of the Board of Directors.

The business affairs of our Company are directed by a Board of Directors consisting of seven directors elected by the General Assembly of Shareholders within the frame of pertinent provisions of the Turkish Commercial Code and the Capital Markets Laws and Regulations.

In our Company, different persons are assigned as President of Board of Directors and as General Manager.

Our Company's Directors are identified hereinbelow with their curriculum vitae and with the distribution of duties:

Name/Surname	Appointment Date	Role – Committees and Boards Participated
Martin SIMHANDL	12.04.2011	**Chairman of the Board of Directors** **Member of the Corporate Governance Committee** **Member of the Early** Identification **of Risk Committee**

Graduated from Faculty of 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 does not have any executive duty or responsibility in the Company.

Name/Surname	Appointment Date	Role – Committees and Boards Participated
Karl FINK	31.03.2016	**Deputy Chairman of the Board of Directors**

Graduated from Faculty of Business Administration.

Holds a degree in Business and Economics..

He worked in Marubeni Corporation as an Authorized Representative in Berlin between 1971 and 1975. He has held various offices within the organization of Vienna Insurance Group AG between 1975 and 2009. He has been served as a Deputy General Manager between 2007 and 2009 and as the Member of the Extending Managing Board in Vienna Insurance Group AG . He has been also a member of Managing Board in Wiener Staedtische Wechselseitiger Versicherungsverein-Vermögensverwaltung since 2004.

He does not have any executive duty or responsibility in the Company.

Name/Surname	Appointment Date	Role – Committees and Boards Participated
İsmail Hakkı 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**

Graduated from Faculty of 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.

Name/Surname	Appointment Date	Role – Committees and Boards Participated
Josef AIGNER	29.03.2013	**Member**

Holds a degree in Chemistry.

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

He does not have any executive duty or responsibility in the Company.

Name/Surname	Appointment Date	Role – Committees and Boards Participated
Gerald KLEMENSICH	11.06.2014	**Member of the Corporate Governance Committee** **Member of the Early** Identification **of Risk Committee**

Between 1993 and 1995, he worked as Shipping Surveyor and Claims Examiner at various insurance companies. Between 1995 and 2004, he held various positions at Vienna Insurance Group AG. Since 2007, he has been a Senior Executive in the Reinsurance Department of Vienna Insurance Group AG and a board member of Wiener RE.

He does not have any executive duty or responsibility in the Company.

Name/Surname	Appointment Date	Role – Committees and Boards Participated
Kemal BOZYİĞİT	04.07.2017	**Independent Member** **Member of the Audit Committee**

Studied Metallurgical Engineering in Austria.

Between 1990 and 1992, he worked as project manager at VAI-Voestalpine Industrie Anlagenbau GesmbH. From 1996 to 2006, he held positions of the Country Technical Affairs Officer, the Quality Manager, the Production Manager and the Project Manager at Voestalpine Stahl GmbH, Linz.

Since 2006, he has been the General Manager of Voestalpine Eurostahl GmbH, Istanbul.

Name/Surname	Appointment Date	Role – Committees and Boards Participated
Koray ERDOĞAN	01.08.2015	**Member and General Manager**

He holds degrees in International Relations. He holds a master's degree on Administrative Sciences from Carnegie Mellon University.

He started his career in 1997 as an Insurance Auditing Specialist in the Insurance Auditing Board of the Undersecretariat of Treasury. Since 2009, he served as Deputy Chairman thereof. He joined Ray Sigorta A.Ş. as a member of the Management Board and Financial and Administrative Affairs Director on 2nd of May, 2011. He served as the Deputy General Manager since 01.01.2014 and has appointed as General Manager on 1st of August, 2015. Moreover, he has been a lecturer in Hacettepe University, Department of Actuary since 2010.

Our Independent Board Member Mr. Stefan Waldner submitted his resignation on 4th of July 2017 because he left Turkey .

Name/Surname	Appointment Date	Role – Committees and Boards Participated
Stefan WALDNER	15.10.2014	**Independent Member** **Member of the Audit Committee**

A Social and Economic Sciences and International Management Faculty graduate.

Between 2000 and 2005, he worked as an Investment Banking Analyst and partner at Merrill Lynch International, London. Between 2005 and 2014, he held senior executive position in OMV Aktiengesellschaft, Vienna. He is a member of the Board of Directors of OMV Petrol Ofisi A.Ş. since 2011 and serves as CFO and a member of the Executive Board of OMV Petrol Ofisi A.Ş. as of 2014.

The terms of office of all members of the Board of Directors have expired this year. In the General Assembly Meeting held on 31st of March, 2017, the same members were re-elected for a term of 3 years. Independent members to be nominated were reviewed by "the Corporate Governance Committee" and submitted to the approval of the General Assembly in accordance with the decision of the Board of Directors.

Mr. Stefan Waldner, an independent member of the Board of Directors, has submitted his resignation on 30th of June, 2017 because he will not be able to fulfill “Resides in Turkey” criterion (an independent criterion) within the relevant period. The Corporate Governance Committee which also acts like and performs responsibilities of The Nomination Committee discussed and evaluated this issue and accordingly, nominated Kemal Bozyiğit as an independent member. During the meeting hold on 4th of July, 2017, our Board of Directors appointed Mr. Kemal Bozyiğit as an independent member thereof.

Other than the General Manager, all of the Directors are non-executive directors. Assumption by the Directors of other job positions outside the Company has not been conditioned upon certain rules and limitations, and accordingly, non-executive members of the Board of Directors have assumed different job positions in the group companies other than the Company. However, our Directors are sparing adequate time for the Company business affairs, and are using their powers within the frame of good faith rules and with all kinds of information needed for full performance of their job duties in the Company.

There is not any female member in the Board of Directors of our Company. The term of office for our current members will end in 2020. As of this moment, our Board of Directors does not have any plans related thereto.

5.2. Operating Principles of the Board of Directors

Article 18 of our Articles of Association states that the Board of Directors is required to meet at least 4 times a year. In addition, unless a physical meeting is demanded by any one of the directors, the Board of Directors may take its decisions without holding a physical meeting by taking a written consent of at least majority of full number of its directors for a motion for resolution of any one of the directors on a certain subject matter.

The matters to be discussed in the meetings will be determined in the form of an agenda by the Chairman of the Board of Directors before the meeting. However, demands of the Directors are also taken into consideration in determination of meeting agenda. Meeting agenda is notified to the Directors in writing no later than 15 days prior to the date of meeting.

Our Board of Directors has met four times throughout 2017. Meetings of the Board of Directors have been held by full participation of directors. None of the Directors is an absentee. Till date, all decisions of the Board of Directors have been taken by unanimous vote of the Directors present in the meeting, and no dissenting opinion has been expressed on subject matters discussed and contradicted in the meeting. Furthermore, as the Directors are continuously consulting with each other, no question required to be noted in the meeting records has been raised in the meetings.

No weighted voting right or negative veto right has been provided to the Directors.

No insurance has been taken out for damages that may be incurred by the Company due to faults of the Directors in performance of their job duties.

5.3. Number, Composition and Independence of the Committees Organized Under the Board of Directors

In our Company, with a view to ensuring that the Board of Directors performs its job duties and responsibilities in a healthy manner, and in accordance with the current applicable laws of CMB, an Audit Committee, a Corporate Governance Committee and an Early Identification of Risk Committee have been established.

1) **The Audit Committee**: Committee Members are:
   a) İsmail Hakkı Ergener Chairman
   b) Kemal Bozyiğit Member (since 04.07.2017)
   c) Stefan Waldner Member (quitted the Committee and the Board of Directors membership in 04.07.2017.)

Pursuant to the communiqués of CMB, the Audit Committee members are persons having the qualifications required for performance of their job duties, and are elected from among the non-executive independent members of our Board of Directors.

As per the Internal Bylaws, the Audit Committee supervises the effects of operations of the accounting and financial reporting system, disclosure of financial information and reports to public, and operations of independent audit and internal control system. One of its job duties is to prequalify and select an Independent Audit Firm and to present it to the opinions of the Board of Directors.

The Audit Committee carries out its activities in accordance with the “Audit Committee Directive” regulating its operating procedures and principles, and meets at least 4 times a year, and presents the meeting results to the Board of Directors in writing.

The Committee has met 4 times during 2017. Before the General Assembly meeting, the Committee has selected a new independent audit firm and presented its selection to the Board of Directors for consideration. The Committee has conducted the first inspection of the quarterly financial statements, and has presented the same to the approval of the Board of Directors with its assent.

2) **The Corporate Governance Committee**: Committee members are:
   a) İsmail Hakkı Ergener Chairman
   b) Martin Simhandl Member
   c) Gerald Klemensich Member
   d) Erhan Subaşı Member (the Investor Relations Manager)

Corporate Governance Committee members are elected from among the non-executive members of the Board of Directors pursuant to the regulations of the Capital Markets Board, providing that the Committee Chairman is an independent director, and the Investor Relations Director is appointed by a decision of the Board of Directors. The Committee is comprised of 4 members. Though it does not have any minimum number of meetings, it can meet if and when deemed necessary pursuant to the Internal Bylaws.

Within the frame of its operating procedures and principles specified in the Corporate Governance Committee Directive, the Corporate Governance Committee is under obligation to

check and determine whether or not the Company complies with the "Corporate Governance Principles" published by the Capital Markets Board, and if not fully complied with, to determine the reasons of non-compliance, and to identify the probable risks that may emerge as a result of and/or with regard to non-compliance of the Company with the principles, also including the risk of conflict of interests, and to make recommendations for improving compliance with the Corporate Governance Principles and the practices relating to such principles, and also to perform the functions of Nomination Committee and Remuneration Committee regulated by the Corporate Governance Principles published by CMB.

The Corporate Governance Committee has met twice during 2017. In these meetings, compliance of the Company with the Corporate Governance Principles has been reviewed. During both meetings, independent members of the Board of Directors have been evaluated and recommendation to the Board of Directors on candidates has been made.

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

a) İsmail Hakkı Ergener Chairman
b) Martin Simhandl Member
c) Gerald Klemensich Member

Early Identification of Risk Committee is comprised of three members, providing that its chairman is an independent director. Duties of the Committee have been determined by the Directive. The Committee is under obligation to detect at an early stage the risks which may endanger the existence, development and continuity of the Company, and in the case of detection of such risks, to make suggestions to the Board of Directors for the actions required to be taken for management of risks. The Committee meets once every two months.

This Committee has met 6 times during 2017. Reports issued by Internal Control and Risk Management and Internal Audit departments of the Company have been discussed, and the considerations of the Committee about the existing and probable risks have been reported to the Board of Directors and the Executive Units of the Company. Actions taken as such have been reviewed in the next meeting.

According to the Article 378 of the Turkish Commercial Code, the Company performing the Independent Audit of our Company has submitted its report on this Committee to our Board of Directors on 28th of Februray, 2017. The conclusion thereof states that:

"Based on our investigation and observation, we have concluded that the Early Identification of Risk Committee of Ray Sigorta A.Ş. and its system comply to and are sufficient in all of their material aspects within the frame of the Article 378 of the Turkish Commercial Code.

Members of these three committees have been elected from among the non-executive members of the Board of Directors, other than the Investor Relations Department Director in the Corporate Governance Committee. As the number of non-executive members of the Board of Directors is six, the same member is required to take office in more than one committee, and the same member's taking office in more than one committee does not make any negative effect on conduct of activities.

5.4. Risk Management and Internal Control Mechanism

The “Regulation on Internal Systems of Insurance, Reassurance and Pension Companies” published by the Republic of Turkey, Prime Ministry, Treasury Undersecretariat in the Official Gazette edition 26913 on 21st of June, 2008, deals with the Internal Control, Risk Management and Internal Audit Systems to be established in the organization of insurance and reassurance companies founded in Turkey, and insurance and reassurance companies founded in foreign countries, and branches in Turkey of insurance and reassurance companies founded in foreign countries, and pension companies, as well as the procedures and principles of operation of them. According to this Regulation, companies are under obligation to establish, operate, run and develop adequate and effective internal systems, together with all regional directorates and units, fit to the scope and structure of their activities and fit to the changing conditions, within the frame of procedures and principles specified in the regulations pertaining thereto, with a view to monitoring and controlling their risk exposures.

Within the frame of this Regulation, our Company’s Internal Control mechanism has been designed from the point of view that internal control activities constitute a part of all daily activities of the Company

Our Company’s risk management activities aim to integrate the Risk Management system with our Company’s existing functions and processes, and to ensure that this system is implemented as a whole in the Company organization, and to protect the Company’s capital structure by establishing a risk culture in the Company in general, and to assure an effective and efficient capital management, and to reinforce the planning and decision making processes and to increase the added value of activities through correct management of risks detected in the course of achievement of the goals and targets of the Company.

Accordingly, it is essential to take care of using methodologies which are best fit to the intended purposes.

Internal Control and Risk Management activities are directly managed and directed by the General Manager. Activity results are regularly reported to the Early Identification of Risk Committee and to the Board member responsible for internal systems and to the General Manager.

5.5. Strategic Goals of Company

In the light of economic developments of the past three years, the Company’s Control and Planning Department prepares the budget figures jointly with sales, marketing, technical units and reassurance, damages, human resources, information technologies, and administrative affairs departments. These budget figures are subject to preliminary approval of the Management Board. The Board of Directors meets once a year in order to determine the strategic goals of the Company. In addition to the Management Board members, the department managers and executives deemed necessary are also included in this meeting. Strategic goals determined therein are revised over the budget figures of 3 years, and the final targets and figures are approved in the next meeting of the Board of Directors. Activities and

performance of the past year are reviewed in a meeting of the Board of Directors held in the first half of the next year. The degree of achievement of strategic goals is scrutinized. Furthermore, the Board of Directors holds quarterly discussions on performance of the past period. In this aspect, the Control and Planning Department of the Company is the major assistant of the Board of Directors. Performance of the Company is reported by this Department on monthly basis.

5.6. Financial Rights

As specified in our Company's Articles of Association, remunerations and fees paid to our Directors in consideration of their services in the Board of Directors are determined by the General Assembly of Shareholders. Amounts of payments for the past years have already been presented to the General Assembly of Shareholders and are included in the annual report as well. In addition, there is a "Remuneration Policy" formulated by our Board of Directors. This policy has recently been updated in December 2016, and our shareholders have already been informed about this policy via the Public Disclosure Platform. This policy is further published in our Internet Site. Data relating to all financial rights provided to the Directors and other top echelon executives is given in our yearly annual report

In determination of financial rights of the Directors, the Company's performance records are taken into consideration.

In remuneration of the independent members of the Board of Directors, share options or performance-based payment plans are not used. Fees paid to the independent directors are required to be in compliance with the criterion of protecting their independence.

The Company cannot lend money or make any credit facility available to its Directors.

Our Directors do not directly or indirectly borrow cash or non-cash credits from our Company. Nor are any personal guarantees or other types of guarantees given in favor of the Directors.

Wages and premiums paid by the Company to its Top Echelon Executives are determined by the Board of Directors. The Company's performance is taken into consideration in determination of financial rights of the Top Echelon Executives of the Company.

Fees payable to the Directors constitute an agenda topic of the General Assembly Meeting, and can be seen in minutes of General Assembly Meeting. In addition, payments made to the Directors and the Management Board members are included in annual report and in footnotes of financial statements without any reference to individuals.

Disclosure of payments made to the General Manager and the Management Board members on personal basis is considered under the "Trade Secrets". Disclosure of personal rights and benefits of top echelon executives may lead to exposure and disclosure of the Company strategy and to elimination of competitive strength in the Human Resources market. For this reason, payments made and benefits provided to the General Manager and the Management Board members are not disclosed on personal basis.