

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

As one of the pioneer and leader companies in the Turkish industry, Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (it is hereinafter referred to as “Brisa” or “Company”), which is aware of its responsibilities that it upholds to its stakeholders, adopts as a principle to comply with the Corporate Governance Principles issued by the Capital Markets Board and the four principles of corporate governance based on transparency, fairness, responsibility and accountability and to make provisions where circumstances require amendments thereof. In the 1 January – 31 December 2014 accounting period, in line with this principle adopted by the Company, Brisa has applied and accommodated “the Capital Markets Board Corporate Governance Principles” set out in the CORPORATE GOVERNANCE COMMUNIQUÉ No II-17.1 (“the Communiqué”), which has been issued by the Capital Markets Board (“CMB”) and has entered into force upon publication in the Official Gazette dated 3 January 2014 and No 28871.

Brisa has prepared its 2014 “Corporate Governance Principles Compliance Report” in compliance with the new format indicated in Board Bulletin dated 27.01.2014 and No 2014/2, issued by the Capital Markets Board.

Brisa:

has taken the required steps in line with the Corporate Governance Principles; and with its decisiveness in respect of compliance with the Corporate Governance Principles as well as all activities carried out by the Company up to the present, Brisa has demonstrated that it is aware of its responsibilities to all of its shareholders and stakeholders;

aims to develop further the compliance with the Corporate Governance Principles, together with its executives at the top management and all of its employees who are aware of the fact that the adoption of the Corporate Governance Principles within the body of the Company will provide remarkable contributions to the said Company;

has, over the year 2014, exercised due diligence in compliance with the mandatory/non-mandatory arrangements set out in the Corporate Governance Principles, and has, in details, submitted these matters for information of the shareholders and stakeholders on [www.kap.gov.tr](http://www.kap.gov.tr) and on [www.brisa.com.tr](http://www.brisa.com.tr), which is the Company's web site.

In this regard;

- The 2013 General Assembly information document has been prepared in detail, and has been published on the Company's web site in advance of three weeks to the General Assembly meeting date, and thereby, it has been submitted for information of the shareholders and stakeholders.
- The amendments to Articles 14 and 28 of the Articles of Association have been approved at the 2013 Shareholders Ordinary General Assembly meeting held on 21 March 2014.
- Our Company's “Profit/Dividend Distribution Policy” has been amended in line with the Communiqué on Dividends (II-19.1) issued by the Capital Markets Board and thereupon, it has been submitted for approval of the shareholders at the 2013 General Assembly meeting. In addition it has been submitted for information of the shareholders through the Public Disclosure Platform and the Company's web site.
- Under the provisions of Article 10 contained in the Communiqué and Article 5 of CMB's Communiqué Serial: IV, No: 41 on “the Principles to be Observed by Corporations being Subject to the Capital Market Law”; the concluding part of the report, which has been prepared in relation to the transactions that exceed the thresholds envisaged between the Company and its associated parties, has been submitted for information of the shareholders through the Public Disclosure Platform and the Company's web site.
- In accordance with Article 19 of the Capital Market Law No 6362; the limit of the donation amount that would be granted by the Company in 2014 has been determined as 5% (five percent) of the net profit, and this matter has been submitted for approval of the General Assembly and has been approved by the General Assembly accordingly.
- Our Company's current Vice General Manager-Finance, Bora Çermikli, who is eligible with regard to the criteria determined within the scope of the Communiqué, as required by the Communiqué, has been elected as the Member of the Corporate Governance Committee, and the number of the members of the Corporate Governance Committee has been increased to 4 (four).

- It has been resolved that the Investor Relations Department-related tasks, which are stipulated in Article 11 of the Communiqué, shall, under the management of our Company's Vice General Manager-Finance, Bora Çermikli, be fulfilled by our Company's current Investor Relations Director İpek Rakunt, the holder of the Capital Markets Board Advance Level License (License Number: 203047).
- Our Company's current Corporate Governance Committee's Internal Regulations have been revised in compliance with the criteria determined within the scope of the Communiqué.
- The contact information regarding the persons responsible for the Investor Relations Department has been disclosed to the public through a Material Event Disclosure on [www.kap.gov.tr](http://www.kap.gov.tr), and has, on the same day, been submitted for information of the shareholders and stakeholders on the Company's corporate web site [www.brisa.com.tr](http://www.brisa.com.tr).
- The current Information Sharing Policy has been revised.
- As required by Article 1.3.10 of the Corporate Governance Principles published as attached to the Communiqué, a "Donation and Charity Policy" has been prepared, and it has been disclosed to the public on 25 December 2014 through a Material Event Disclosure on [www.kap.gov.tr](http://www.kap.gov.tr), and has, on the same day, been submitted for information of the shareholders and stakeholders on the Company's corporate web site [www.brisa.com.tr](http://www.brisa.com.tr). This policy will be submitted for approval of the shareholders at the 2014 Ordinary General Assembly meeting.
- The Company has simultaneously submitted the requisite information to all of its investors and analysts on time and in a secure, consistent and regular manner. Moreover, the Company has organized investor meetings, and sought to reach more investors through press releases and media interviews in order to establish systematic and thorough communications.

Brisa believes in the importance of full compliance with the Corporate Governance Principles, and complies with all the mandatory principles contained in the Corporate Governance Communiqué No II-17.1. While full compliance with non-mandatory Corporate Governance Principles is targeted, it has not been yet achieved due to the reasons such as difficulties experienced in implementation, the ongoing debates, both domestically and internationally, related to compliance with certain principles, and compatibility issues with the market and the Company's current structure. These principles and the justifications for the non-implementation of these principles are summarized below:

- As regards the recommendation "Existence of an additional provision in relation to minority rights and granting the shareholders the right to request for special audits in the Articles of Association"; since the Company is of the opinion that the current provisions contained in the Turkish Commercial Code in relation to appointment of special auditor and minority rights are sufficient in this regard, these rights have not additionally been regulated by the Articles of Association.
- Despite the fact that there is no Company policy concerning the recommendation "for the rate of woman members at the Board of Directors, a target time and a target rate, provided that it is not less than 25%, will be determined, and a policy will be prepared in order to achieve these targets", which is contained in Article 4.3.9 of the Communiqué; attention is paid to this matter, and Güler Sabancı presides over Brisa's Board of Directors.
- Besides this, the "Nomination Committee" and "Earnings Committee" obligations, which are contained in Article 4.5.1 of the Communiqué, are assumed by "the Corporate Governance Committee". Furthermore, although attention is paid to comply with the recommendation "a Board Member will not take part in more than one committee" as mentioned in Article 4.5.5 of the Communiqué; some of the Board Members take part in more than one committee due to the committee structuring requirements, the number of Board Members and because of the business expertise required by the committee membership.
- In accordance with Article 4.6.5 of the Corporate Governance Principles, the remunerations and all other benefits provided to the Board Members and the Senior Management are disclosed to the public by means of annual activity reports. However, such disclosures are not released on a personal basis.
- A model or a mechanism has not been created for participation of stakeholders in the management. However, considering the independent members taking part at the Board of Directors, it becomes possible for stakeholders to be represented in the management, as well as the Company and the shareholders.
- Brisa is sensitive to its social responsibilities, and complies with the ethical rules as well as the arrangements in relation to environment, consumers and public health. The Company supports and respects for the human rights available on an international level. Brissa has accommodated Article 3.5.2 of the Corporate Governance Principles, however, has not prepared an Anti-Bribery and Anti-Corruption Policy. In 2015, our Company will prepare such an Anti-Bribery and Anti-Corruption Policy and will announce this policy to all stakeholders through Brisa's web site, [www.brisa.com.tr](http://www.brisa.com.tr).

The principles, which have not yet been implemented and remain outside of the principles that are currently being implemented, have not caused a conflict of interest among the stakeholders up to the present. Relevant developments are monitored, and we continue our efforts toward compliance.

Over the coming period, the required studies will be continued for compliance with the principles, by taking into consideration the practices as well as the developments in the legislation.

## PART II - SHAREHOLDERS

### 2.1 Investor Relations Department

Within the body of our Company, the Investor Relations Department performs studies and activities in order to carry out relations with the current and potential shareholders regularly, facilitate the protection and exercise of the shareholding rights, enhance the recognizability of our Company in the capital markets and ensure the required compliance with the Legislation on Capital Markets.

Within the body of Brisa, the Investor Relations Department carries out activities as being administratively affiliated to the Chief Finance Officer, Bora Çermikli who is also a Member of the Corporate Governance Committee. The coordination of the Department is conducted by the Budget and Finance Director Reşat Oruç. The Corporate Governance Committee Reporter İpek Rakunt, the holder of the Capital Markets Board Advance Level License (License Number: 203047), also serves as the Manager of the Investor Relations Department. In addition, at the Department, Cemal Aydemir is actively engaged as a Member.

The contact information of the officials serving at the Investor Relations Department is submitted below:

Contact Persons			
Name Surname	Title	Phone Number	E-mail
Bora Çermikli	Vice General Manager-Finance	0262 316 56 02	b.cermikli@brisa.com.tr
Reşat Oruç	Budget and Finance Manager	0262 316 57 00	r.oruc@brisa.com.tr
İpek Rakunt	Investor Relations Manager	0262 316 56 06	i.rakunt@brisa.com.tr
Cemal Aydemir	Investor Relations Specialist	0212 385 84 67	c.aydemir@brisa.com.tr

The Investor Relations Department carries out activities with respect to the exercise of shareholding rights, submits reports to the Board of Directors and ensures the communications between the Board of Directors and shareholders. The activities carried out primarily by the Department within the period are as follows:

- It has been ensured that the records relevant to the correspondences exchanged between investors and the Company and the records of other information and documents are kept properly, securely and up-to-date, and the transactions within the Central Registration Institution have been coordinated;
- The Company-related information requests, which have been received by the Department in the period, have not been disclosed to the public; and they have been replied to clearly and explicitly on face-to-face basis or by communication means in line with the Company's Information Sharing Policy, with the exclusion of confidential information and information of a trade secret nature;
- It has been ensured that, in the period, the Ordinary General Assembly meeting was held in compliance with the applicable legislation, the Articles of Association and other internal regulations and arrangements;
- Applications and implementations, which would facilitate the participation of the shareholders in the General Assembly and enhance the communications during the meeting, have been developed; and the documents, which would be used by shareholders at the General Assembly meetings, have been prepared; the web site has continuously been updated, and thereby, it has been ensured that the shareholders uninterruptedly obtain precise information about the Company;
- In addition to the disclosures released as required by the legislation, the coordination of the communications with the public has been ensured by observing and monitoring the fulfillment of the obligations arising out of the Legislation on Capital Markets, including all kinds of matters concerning corporate governance and public disclosure; moreover, interviews have been held with investors and analysts, and the conferences and roadshows organized by intermediary institutions have been well attended.

Written and verbal information requests, which have been received from shareholders, institutional investors and the analysts of investment institutions within the period, have been replied to within the framework of the Legislation on Capital Markets, without any discrimination and in such a way that would not cause any information inequalities. Within this framework, in 2014, 50 telephone conversations have been made, 50 e-mails have been sent, and 10 shareholders have visited the Company headquarters and received information in person.

The activities, which have been carried out in 2014 in order to furnish investors with detailed information about the Company's activities, are summarized in the table below:

The number of conferences, meetings	53
The number of investors and analysts with whom meetings have been held	213
Number of analysts meetings held	40

The report on Investor Relations activities, which is required to be prepared as per Article 11 of the Communiqué, has been submitted to the Board of Directors on 24 February 2015.

In 2014, 28 Material Event Disclosures have been released by the Company through KAP (Public Disclosure Platform) in accordance with arrangements issued by CMB. These disclosures have been released in a timely manner, and no sanctions have been imposed by CMB or BIST.

Finally, the "Corporate Intermedium Contract Regarding Central Registration System" was signed by and between Ak Yatırım Menkul Değerler A.Ş and the Company on 10 February 2009 in order to fulfill the issuer operations under the Central Registration Institution, and within this scope, concerning the services to be provided to the Company shareholders. The effectiveness of this Contract has survived also in 2014.

## **2.2 The Exercise by Shareholders of Their Right to Obtain Information**

According to our Company's Information Sharing Policy, it is a principle that all shareholders, potential investors and analysts are treated equally with regard to the exercise of the right to obtain information and review, and that disclosures are, in the same content, communicated to everyone. All information sharing is realized within the scope of previously disclosed information to the public. All kinds of matters concerning the public disclosure obligation are presented in compliance with the legislation and the Articles of Association. Within this scope, material event disclosures, which are of importance for investors, are released to the public through KAP (Public Disclosure Platform) and are published on the Company's web site, all in a timely manner and in compliance with the legislation.

In 2014, written and mostly verbal information requests have been transmitted by shareholders via telephone, e-mails and during face-to-face conversations. These information requests were particularly relevant to the General Assembly meetings held within previous activity period, as well as the capital increase and profit share/dividend payments in the previous years and the Company's investments. These requests have been replied to meticulously by the Investor Relations Department within the framework of the legislation and without any delays. For this purpose, the information that would be of concern to shareholders has been disclosed on the web site ([www.brisa.com.tr](http://www.brisa.com.tr)) within the mandatory notification timeframes.

The Company's annual activity report is published on its web site. In addition, interim financial statements, material event disclosures and the announcements made to shareholders as from 2005 are submitted for information of shareholders on the web site.

In 2014, there has been no information and disclosures published on the Company's web site, which could affect the exercise by shareholders of their shareholding rights.

In the Articles of Association, appointment of a special auditor is not regulated as a right. In accordance with Article 438 of the Turkish Commercial Code, since this right is provided for each shareholder, for joint stock companies; it has not been deemed necessary to insert an additional provision into the Articles of Association, in this regard. In the period, no request has been received in respect of appointment of a special auditor for the Company.

The Company's activities are regularly and periodically audited by the Independent Auditor appointed by the General Assembly. For 2014, the independent auditing activities have been performed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Deloitte Touche Tohmatsu Limited).

## 2.3 General Assembly Meetings

On the Company's web site, the arrangements concerning Brisa's General Assembly meetings are contained in "The Internal Regulations on the Working Principles and Procedures of Brisa's General Assembly" on the "Information Society Services" pages. Additionally; the disclosures and documents, which should be shared with the public through KAP prior to and after General Assembly meetings as required by the legislation, are also shared on the relevant topics under the tab "Investor Relations" on the Company's web site.

On 21 March 2014 at 10.00, Brisa's 2013 Shareholders Ordinary General Assembly meeting was held at the Company's head office address, namely at Istanbul, Beşiktaş, 4. Levent, Sabancı Center Sadıka Ana Salonu, under the supervision of the Ministry's Representative Mükremin UZUNBOY appointed by decree of the letter dated 20.03.2014 and no 7001, issued by the Istanbul Governorate, the Provincial Directorate of Trade. The Shareholders have participated in the Ordinary General Assembly meeting in a physical environment, an electronic environment, personally and/or by means of their representatives.

The invitation to the General Assembly meeting has, including the agenda, been published in the Turkish Trade Registry Gazette dated 26 February 2014 and No 8516, on the Public Disclosure Platform web site [www.kap.gov.tr](http://www.kap.gov.tr), on the E-General Assembly System of the Central Registration Institution and on the Company's web site [www.brisa.com.tr](http://www.brisa.com.tr) as stipulated in the Code and in the Articles of Association, and thereby, the invitation has been published in advance of minimum three weeks to the date of the General Assembly meeting by notification of the meeting date and the agenda via all kinds of communication means, including electronic communication, which would ensure that the maximum possible number of shareholders are reached, in addition to the procedures stipulated by the legislation.

The activity report (which also contains the audited 2013 figures), the financial statements and reports pertaining to the year 2013, the profit distribution proposal, the information document prepared in relation to the articles of the agenda regarding the General Assembly meeting, other documents constituting the basis of the articles of the agenda, the latest version of the Articles of Association, the draft text of the amendments to the Articles of Association and the grounds of these amendments have been submitted for reviews of the shareholders at our General Directorate in Istanbul, on our web site and on KAP in advance of 21 days to the date of the General Assembly meeting. The questions received in relation to these documents have been replied to accordingly.

In order that the shareholders could be represented at the General Assembly, both the Electronic General Assembly System has been utilized and the power of attorney form, which would be certified by a public notary, has, within the framework of the provisions contained in the Capital Markets Board's Communiqué No II-30.1, been kept available at the Company headquarters and on the Company's web site. Thereby, it has been ensured that the shareholders, whose shares are monitored before the Central Registration Institution on a dematerialization basis and who have the right to participate in the General Assembly meetings, or their representatives, who represent them under public notary-certified powers of attorney, participated in person in the General Assembly meeting or participated in the General Assembly meeting through the Electronic General Assembly System by using their secure electronic signatures. Thus, the applications and implementations, which would not cause any inequalities among the shareholders and would facilitate the least costly and the easiest participations in the General Assembly meeting have been preferred and observed.

Prior to the General Assembly meeting; the shareholders, the Capital Markets Board and/or other public institutions and organizations that are concerned with the Company have not submitted a request for inclusion of an article into the agenda.

Of 30.511.687.500 shares corresponding to the Company's total capital amounting to TL 305,116,875.00; 13.081.253 shares corresponding to the capital amounting to TL 130,812.53 have been represented by acting as principal, and 26.799.404.012 shares corresponding to the capital amounting to TL 267,994,040.12 have been represented by acting as representative at Brisa's Ordinary General Assembly meeting. The General Assembly meeting has been held with a participation rate of 87.88%.

The Board Members, the Company's Auditor, the General Manager, the Vice General Manager-Finance and the personnel who made the preparations for the meeting have also participated in the General Assembly meeting. However, apart from the shareholders, stakeholders and the media/press have not participated in the meeting.

The main agenda articles of this meeting comprised the following: informing about the 2013 Activity Report and the Auditor's Report, discussions on and approval of the financial statements, approval of the assignments that took place due to the resignations at the Board of Directors, discharge of obligations of the Board Members, approval of the Profit Distribution Policy, the planning of how to use the 2013 profit and determining the distribution procedure/dividend ratios, informing about the 2013 donations and charities, determining the 2014 donation limit, appointment of auditor, approval of the amendments to the Articles of Association and giving permission to the Chairman of the Board and the Board Members to carry out the transactions referred to in Articles 395 and 396 of the Turkish Commercial Code.

At the General Assembly meeting, it has been submitted for information of the shareholders that the donation amounting to TL 241,006.00 in total took place in 2013; and it has been resolved, by a majority of votes cast by the meeting participants, that the upper limit of the donations to be granted by the Company in 2014 shall be 5% (five) percent of the Company's net profit.

On 25 December 2014, Brisa has shared its Donation and Charity Policy with the public through KAP. The Donation and Charity Policy will be submitted for approval of the shareholders at the 2014 Ordinary General Assembly meeting to be held in 2015.

At the General Assembly meeting, the shareholders have been provided with the right to declare their opinions and ask questions under equal conditions. During the meeting, our shareholders, who wished to take the floor for the matters not included in the agenda, gave speeches and asked questions about the Company's performance and strategies, and these questions have been answered by the Chairman of the Meeting and by the relevant executives as directed by the Chairman of the said Meeting. The questions, which could not be answered during the meeting, have been replied to in written form by the Investor Relations Department, and these replies have been shared with the public on the topic "General Assembly Meetings" under the tab "Investor Relations" on the Company's web site [www.brisa.com.tr](http://www.brisa.com.tr).

At the General Assembly meeting, no proposals have been submitted by the shareholders, except for the articles of the agenda.

The minutes of the General Assembly meeting have been shared with the public by publication through KAP, in the Turkish Trade Registry Gazette and on the Electronic General Assembly System. In addition, all kinds of General Assembly meeting-related announcements, documents and papers have been submitted for information of the shareholders and stakeholders on Brisa's web site.

As required by Article 1.3.7 of the Capital Markets Board's Corporate Governance Principles; at the 2013 Ordinary General Assembly held on 21 March 2014, it has been submitted for the information of the shareholders that the shareholders holding the management control of the Company, the Board Members, the executives holding administrative responsibilities, their spouses and their relatives by blood and by marriage up to the second degree have not carried out any significant transactions and operations, which would cause a conflict of interest with the Company, and that they have not, whether on their behalves or on behalf of others, carried out any transactions and operations of a commercial nature included in the Company's fields of activities, and that they have not, as unlimited partners, participated in another company engaged in the same kind of commercial affairs.

An Extraordinary General Assembly meeting has not been held in 2014.

## **2.4 Voting Rights and Minority Rights**

According to the Articles of Association, at General Assembly meetings, there is one voting right for each share, and there is no privilege in voting rights.

With a view to preserving and maintaining the currently harmonious management structure of the Company; a provision, which is relevant to granting cumulative voting rights in the current shareholding structure and in the current shareholding ratios, has not been included into the Articles of Association.

There is no shareholder company that is in cross-shareholding relationship.

In the Articles of Association, there is no provision concerning representation of minority shareholders and stakeholders in the management. However, at the Board of Directors, two Independent Board Members take part in order to represent all shareholders (particularly minority shareholders) and stakeholders equally.

Brisa attaches importance to the exercise of minority rights in compliance with the provisions of the Turkish Commercial Code and the arrangements issued by CMB. In 2014, no criticisms or complaints have been received with respect to this matter.

## **2.5 The Right to Profit Share/Dividend**

As required by the Articles of Association, the Board Members and the Hacı Ömer Sabancı Foundation holding 100 usufruct shares have privilege in the profit. These privileges are calculated within the framework of the provisions contained in the Articles of Association.

In addition, in line with the aim to comply with the Corporate Governance Principles included in the scope of the CMB's Corporate Governance Communiqué No II-17.1; the amendments to Articles 14 and 28 of the Articles of Association have been approved at the Ordinary General Assembly Meeting held on 21 March 2014, and the Board Members' privileges in the profit have been revoked.

According to the Profit Distribution Policy approved at Brisa's Ordinary General Assembly meeting dated 21 March 2014; the profit distribution has been determined within the framework of the provisions contained in the Turkish Commercial Code, the Legislation on Capital Markets, the other relevant legislation and the profit distribution-related Article contained in our Articles of Association; Last but not least, in line with Brisa's medium-term and long-term strategies and investment and financial plans, by taking into consideration the current situation of the Country's economy and of the sector and by observing the balance between the expectations of the shareholders and Brisa's needs.

In line with the resolution taken at the General Assembly meeting, the principle of determining the amount of the profit share (to be distributed) has been adopted. However, it has been adopted as a principle that, in the distribution of profit, a profit share in cash (at the rate of 30% of the distributable profit) shall be distributed among the shareholders.

In Brisa, distribution of dividend advances does not apply.

It is adopted and ratified that the profit shares shall, equally and within the shortest period of time, be distributed regardless of all current shares and their dates of issuance and acquisition. However, they shall be distributed among the shareholders on the date fixed by the General Assembly following the approval of the General Assembly, within the statutory terms that have been determined.

The General Assembly may transfer all or a part of the net profit to the extraordinary reserve fund. In case Brisa's Board of Directors submits the General Assembly a proposal for non-distribution of profit; the shareholders shall, at the General Assembly meeting, be informed about the reasons of this circumstance and about how the undistributed profit shall be utilized. This information shall be included in the activity report and be published on the web site, and thereby, shall be shared with the public as well.

The Profit Distribution Policy is submitted for approval of the shareholders at the General Assembly meeting. This Policy is reviewed every year by the Board of Directors by taking into consideration any negative matters in the national and global economic conditions as well as the current situations of the on-going projects and the funds. Any amendments to this Policy shall be submitted for approval of the shareholders at the next General Assembly meeting following the amendments, and shall be disclosed to the public on the web site.

The Profit Distribution Policy and the proposal for distribution of annual profit are contained in the activity report, they are submitted for information of the shareholders at the General Assembly meeting, and they are announced to the public under the tab "Investor Relations" on the web site.

At the 2014 Ordinary General Assembly Meeting; the Board of Directors' proposal (dated 26 February 2014) for distribution of profit has been accepted, and it has been resolved that the profit share/dividend payments shall start on 24 March 2014. According to the 2013 financial results, the Company has distributed profit shares amounting to TL 126,891,512.49 in total, as TL 119,178,651.38 for the shareholders and TL 7,712,861.11 for the Hacı Ömer Sabancı Foundation holding usufruct shares. A profit share/dividend payment has not been made to the Board Members.

## **2.6. Transfer of Shares**

As provided in detail under the Article 31 of the Articles of Association, transfer of the registered shares being held by the controlling shareholders, namely the Hacı Ömer Sabancı Holding A.Ş and Bridgestone Corporation is subject to certain limitations. In brief; while the controlling shareholder is transferring its shares, it is mandatory for this controlling shareholder to offer its shares to the other controlling shareholder firstly. The controlling shareholders are not allowed to transfer their shares to a third party that is deemed to be, or will be, or is expected to be the competitor of either Sabancı Holding or Bridgestone, or of affiliates or subsidiaries thereof, in the sense of engaging in the same, or similar fields of activities as them.

In the Articles of Association, there is no provision that will restrict or limit transfer of shares by other shareholders.

## PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1 The Corporate Web Site and the Contents thereof

Our Company's corporate web site is accessible at [www.brisa.com.tr](http://www.brisa.com.tr).

In addition, within the framework of the principles and procedures concerning creation of web sites, allocation of a certain part of these sites for publication of the announcements to be made by the Company as required by the laws and for the information society services pursuant to the "Regulation on Web Sites Created by Corporations" and the first paragraph of Article 1524 in the Turkish Commercial Code; our Company receives the Central Database Service Provider support services from the Central Registration Institution ("MKK"), and the announcements, which should be published by the Company as required by the laws, are accessible through the MKK's "e-Company, Companies Information Portal".

For public disclosure purposes and in order to maintain the relationships with the shareholders more effectively and rapidly and be in communication with the shareholders continuously; the Company's web site is used actively within the framework of the Corporate Governance Principles.

The information available on Brisa's web site does not take the place of the material event disclosures and notices, which should be made pursuant to the provisions of the Legislation on Capital Markets. All public disclosures of Brisa are also made available on the web site, which is configured and organized accordingly, with all measures taken to ensure its security. The Company's web site is reviewed and revised within the framework of the heading "2.1 Contents of Corporate Web Sites", which is contained in the Corporate Governance Principles to be taken as basis, as attached to the CMB's Corporate Governance Communiqué No II-17.1. Within this scope, the information and documents stipulated by the legislation are accessible. The studies continue for provision of the information available in Turkish on the web site, and a substantial proportion in English as well. The Activity Report, the Financial Reports prepared on an annual basis and certain information are also available in English. In particular, the announcements and agendas of the General Assembly meetings, informational documents related to the agenda, other information, documents and reports related to the agenda and participation methods of the General Assembly are clearly available on the web site. An ongoing effort is made to improve the web site wherever possible.

Important headings available on the web site are summarized as follows:

- Detailed information regarding the corporate identity
- Mission, vision, values, ethical rules and the main strategies
- Information regarding the Board Members and the Senior Management
- Organization and shareholding structure of the Company
- CMB Material Event Disclosures
- The Articles of Association
- Trade registry information
- Financial information
- Press releases
- Information on the date, agenda and agenda topics of General Assembly meetings
- Minutes of General Assembly meetings, and the list of participants
- Sample power of attorney documentation
- Practices of Corporate Governance, and the compliance report
- Profit Distribution Policy, its history and capital increases
- Information Policy
- Donation and Charity Policy
- Remuneration Policy
- Frequently asked questions

The principles concerning management of the web site are contained in our "Information Policy".



## **3.2 Activity Report**

The Brisa Activity Report is prepared in detail for the public to access all correct information fully and timely about the Company's activities, in compliance with "Regulations About Determining the Minimum Content of Companies' Annual Activity Reports", which has been issued by the Ministry of Customs and Trade and has entered into force upon publication in the Official Gazette dated 28 August 2012, and in compliance with the terms stipulated in the CMB's Communiqué No II-14.1 on "The Principles of Financial Reporting in Capital Markets", and in compliance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) and the formats determined by CMB, and in compliance with the Corporate Governance Principles. It is submitted for approval of the Board of Directors. Unless the Board of Directors resolves, under a separate statement of responsibility, that it shall be disclosed after financial statements; it is disclosed to the public along with the financial statements through KAP and the Company's web site ([www.brisa.com.tr](http://www.brisa.com.tr)).

In addition, once every quarter, a summarized activity report is prepared, and it is published along with the financial statements through KAP and on the Company's web site. The activity report prepared on an annual basis is also provided in printed form in order that it is submitted to the concerned persons.

Within this framework, the Brisa 2013 Activity Report has been submitted for reviews of our shareholders at the Company headquarters, on MKK's Electronic General Assembly portal, and on the Company's web site for a period of three weeks prior to the 2013 Ordinary General Assembly meeting, within the framework of the Turkish Commercial Code, the Regulations and the arrangements relevant to the Capital Market Law, and it has been read and discussed at the Ordinary General Assembly meeting held on 21 March 2014.

## **PART IV - STAKEHOLDERS**

### **4.1 Providing Information to Stakeholders**

Employees, customers, suppliers, trade unions, civil society organizations, government, potential investors and similar parties are considered as stakeholders. The Company considers long-term relations with stakeholders as a benefit to the Company and both respects and protects the rights of the stakeholders acquired from the legislation, mutual agreements and contracts.

In regard to informing the stakeholders Brisa takes into account the Information Policy announced by the Investor Relations Department on [www.kap.gov.tr](http://www.kap.gov.tr) and [www.brisa.com.tr](http://www.brisa.com.tr) web sites on 25 December 2014. Within the scope of the Information Policy non-trade secret information are shared with the stakeholders through transparent public announcements, press and media meetings and similar means.

Company employees are provided information through meetings, which concern their field of specialization and general areas of responsibility, seminars, trainings and e-mails. The Company also has a portal where employees can access any kind of information or document concerning them.

The company has a web accessed "Dealer Information System" in order to share information with dealers who are the most important contact points with the end users. Moreover a dealer database management system has been developed in order for our dealers to manage the communication process between their employees and corporate customers. Besides these systems there are auxiliary systems, namely the Dealer Automation System, which enables dealers to manage their businesses more professionally, The Guarantee System (e-Guarantee), which offers information to end users regarding products and services, the Customer Application Management systems, which is mostly used by the call centres meeting the requests of consumers regarding products, services, systems and approaches. All information streamed to our dealers and users is done in an integrated manner with Brisa's CRM Model. Our company also organizes general and regional informative meetings attended by all our dealers.

There are many suppliers directly in relation with our Company. We inform such suppliers with our purchasing portal (OSAT) as well as through meetings, visits and announcements.

Our Company has adopted ethical principles in order to protect the rights of its stakeholders.

Stakeholders can access to the Ethics Board established by our main partner, H.Ö. Sabancı Holding, via e-mail etik@sabanci.com or phone number +90 (212) 385 85 85 or Working Relations Director Uğurtan Doğan via phone number +90 (262) 316 58 00. The Audit Committee and/or Corporate Management Committee are informed if necessary.

#### **4.2 The Participation of Stakeholders to the Management**

A model or mechanism has not been established for the participation of stakeholders to the management. However the independent members of the Board enable all stakeholders to be presented besides the Company and the shareholders.

Shareholders participate in the management during the General Assembly and are given equal opportunities to state their ideas and ask questions. All the Board members are selected through voting at the General Assembly attended by the stakeholders.

At our Company we implement a management model, which encourages employees to contribute in key policy making, disseminating policies across the company and transform them into being targets, realize planned implementations and review their outcomes accordingly for continuous improvement.

Our white-collar workers participate in management through periodically held corporate meetings and annual target specification and performance evaluation meetings. We measure and evaluate the loyalty and satisfaction scores of our white and blue-collar workers with the Worker Loyalty Survey and develop action plans for areas of opportunity. Moreover thanks to the 360 degrees feedback mechanism employees can give feedback to the management and their colleagues, the outcomes are discussed in various management meetings and action plans are prepared for the change needed. These approaches enable our employees to participate in if needed for the effective management of our Company.

While we make necessary arrangements regarding the working conditions, working environment, rights granted and similar topics regarding our blue-collar workers we co-operate with them, organize meetings and consult the Lastik-İş Trade Union.

For other non-worker stakeholders (customers, suppliers, etc.) we continuously maintain our communication channels open and consider the topics discussed at meetings during Company policy making.

#### **4.3 Human Resources Policy**

Together with our Human Resources, Corporate Development and Working Principals we add value to our vision of "creating the journey ahead together as the Brisa Family' in the light of our mission, vision, business ethics, excellency and social responsibility. We "leave a mark into the future" together with all our stakeholders. Our policy supporting and sustaining our mid and long term business targets is to create a work place, which is aware of its social responsibilities, where people are proud and happy to work, "pioneer" change, ensure work harmony and sustainability, emphasize occupational health and safety, ethical values and fair approach and thus become "the most preferred work-place'. Moreover we want to make our work place sustainable with employees who are entrepreneurs with both innovative competencies and a strong desire to succeed and are open to transformation as well as development.

In order to manage our relations with the blue-collar workers we co-operate with our worker Ersin Aytakin who is the Kocaeli Branch Board Member of Lastik-İş Trade Union, and workplace trade union representatives Barış Bülent Günel (Chief Representative), Şakir Yılmaz, Yusuf Cengiz Sevim, Serkan Görmüş, Akın Giray and Remzi Gürgün. Representatives manage the relations with the workers while Branch Board members manage the relations with the Branch Management.

Within the framework of our Company's Human Resources Policy we have adopted the principle of "Providing Equal Opportunities to People with Equal Conditions". The Company has committed itself to treating all employees fairly, respect their religious, linguistic, and ethnical and gender differences, and take measures to protect them against mal treatment. The Company has policies concerning the equality of opportunity and avoidance of employing or forcing child labour, which go hand in hand with our compliance with the related laws, regulations and work legislations. In 2014 we have received no complaints concerning the related issues mentioned above.

The job descriptions, distributions, performance and rewarding criteria of personnel are announced corporate-wide. Efficiency is taken into account while determining wages and other benefits.

Brisa, just like other companies of the Sabancı Holding operating nationally and internationally respects and complies with the local provisions of law and private law arrangement if any, for instance the collective labour agreement, in the market where it is operating. The Company shows due diligence from the beginning until the termination of the labour agreement in an attempt to protect all rights and pay the receivables of employees.

#### **4.4 Ethical Rules and Social Responsibility**

The Company Ethical Rules have been prepared, implemented and announced publicly on the corporate web site. Company employees are informed about company rules with the publication of these rules on the internal communication portal, the distribution of printed booklets to all personnel and by giving information sharing trainings. Each year the personnel update their knowledge on work ethics with an e-learning program, and sign a “Work Ethics Compliance Declaration”, which indicates their conformity with the work ethics rules.

Our Company's Social Responsibility Policy is based on the "Our Preferences Define Our Future" understanding and can be summarised as follows;

Brisa is aware of the fact that it can only subsist by creating a difference and develop with the understanding of social responsibility. The expectations of our customers, employees, shareholders, suppliers, business partners, competitors and the society have all been reflected in our corporate culture, values and our way of doing business. A management understanding based on the awareness of social responsibility has been adopted.

In line with our social responsibility understanding:

- We follow the SA-ETİK “Work Ethical Guideline”, which is determinative in our responsibilities, decisions and operations leading the way for us beyond the legal arrangements.
- We respect human rights and work labour principles and support the abolishment of forced labour and child labour.
- We try to ensure no discrimination about employment and work within our company.
- We take all the necessary measures in order to create a safe and healthy work environment.
- We adopt a preventive approach against environmental pollution and support the efficient usage of resources in order to ensure a sustainable living.
- We give importance to developing our social responsibility approach by continuously improving it.
- We follow the policy of being publicly transparent bearing in mind that communication would lead our company, group, community and stakeholders towards achievable targets.

The key corporate citizenship projects of Brisa in 2014 have been specified under the “Social Sustainability” title.

Brisa is responsive towards social responsibility and complies with the arrangements and ethical rules regarding the environment, consumer and public health. The Company respects and supports the internationally-accepted human rights. Brisa complies with the Corporate Management Principles Article 3.5.2. but has not yet prepared its Anti Bribery and Corruption Policy. Our Company will endeavour to prepare such an Anti Bribery and Corruption Policy and announce it to its stakeholders by publishing it on the Brisa Web Site ([www.brisa.com.tr](http://www.brisa.com.tr))

## **PART V – BOARD OF DIRECTORS**

### **5.1 Structure and Composition of the Board of Directors**

The Company's Board of Directors monitors the compliance of the Company's activities with the legislation, the Articles of Association, internal regulations and the policies determined. Under the strategic resolutions taken by the Board of Directors, it manages and represents the Company by taking into consideration the Company's risks, growth and its returns and by observing the Company's long-term benefits.

In line with the provisions of the Turkish Commercial Code, the Legislation on Capital Markets and the Articles of Association; the Company is managed and represented by a Board of Directors composed of a minimum 11 (eleven) members who have been elected at the 2011 Ordinary General Assembly Meeting held on 27 April 2012 and will hold office until the 2014 Ordinary General Assembly Meeting to be held in 2015.

In the Articles of Association, there is no provision concerning the required minimum qualifications of the Board Members. However, the qualifications of such Members conform to the relevant Articles contained in the CMB's Corporate Governance Principles.

There are executive and non-executive members at the Board of Directors. The majority of the Board Members are non-executive members, as defined in the Corporate Governance Principles. Among the non-executive Board Members, there are also two independent members who shall perform their tasks without being under any influences. The said Board Members are elected by the General Assembly in line with the Corporate Governance Principles.

Within the scope of Article 4.3 of the CMB's Corporate Governance Principles, amendments have been made to the Articles of Association in order that independent members hold office at the Board of Directors. The independent Board Members to be admitted to the Board of Directors have been determined upon approval of the independent Board Member candidates list (comprising two persons) at the Ordinary General Assembly meeting dated 27 April 2012, in accordance with the Board of Directors' resolutions dated 03 April 2012 and No 592 and dated 24 April 2012 and No 598 respectively. The declarations of director independence, which declare that the independent Board Member candidates conform to the independency criteria, have been submitted for information of the Board of Directors by the independent Board Member candidates, at the time when they were nominated as a candidate. During the related reporting period, no incident has jeopardized the independence of the independent Board Members.

The term of office of the Board Members is maximum three years. It is possible to re-elect a member whose term of office has expired. In case a membership position becomes vacant for any reasons; the Board of Directors shall elect a new member for this vacant membership position and, shall submit this new member for approval of the General Assembly at the subsequent General Assembly meeting. This member will complete his/her predecessor's remaining term of office.

Under its resolution dated 25 March 2014 and No 2014/10, our Company's Board of Directors has distributed the tasks among its members in compliance with the Articles of Association.

The Board Member Kazuyuki EGUCHI has resigned as of 6 May 2014, and Kazuto SEMBU has been assigned for this vacant membership position, provided that this matter is submitted for approval of the General Assembly at the next General Assembly meeting.

The Board Member Kunitoshi TAKEDA has resigned as of 8 September 2014, and Mitsuhiro SHIMAZAKI has been assigned for this vacant membership position, provided that this matter is submitted for approval of the General Assembly at the next General Assembly meeting.

As of 31 December 2014, the Company's Board Members, their terms of office, and the executive, non-executive and independent members are shown in the below table:

NAME - SURNAME	TITLE	TERM OF OFFICE	TYPE OF MEMBERSHIP
Güler Sabancı	Chairperson of the Board	Until the 2014 Ordinary General Assembly Meeting	Non-executive
Narumi Zaitso	Vice Chairman of the Board	Until the 2014 Ordinary General Assembly Meeting	Non-executive
Mehmet Nurettin Pekarun	Board Member	Until the 2014 Ordinary General Assembly Meeting	Non-executive
Mustafa Bayraktar	Board Member	Until the 2014 Ordinary General Assembly Meeting	Non-executive
Barış Oran	Board Member	Until the 2014 Ordinary General Assembly Meeting	Non-executive
Mitsuhira Shimazaki	Board Member	Until the 2014 Ordinary General Assembly Meeting	Non-executive
Mübin Hakan Bayman	Board Member /General Manager	Until the 2014 Ordinary General Assembly Meeting	Executive
Kazuto Sembu	Board Member /Coordinator of the Executive Board	Until the 2014 Ordinary General Assembly Meeting	Executive
Seiichiro Tokunaga	Board Member/ Chief Technical Officer	Until the 2014 Ordinary General Assembly Meeting	Executive
Hasan Cihat Erbaşol	Independent Board Member	Until the 2014 Ordinary General Assembly Meeting	Non-executive
Hüsnü Paçacıoğlu	Independent Board Member	Until the 2014 Ordinary General Assembly Meeting	Non-executive

The Board Member and the Vice Chairman of the Board, Narumi ZAITSU has resigned as of 19 January 2015, and Tomoya SANO has been assigned for this vacant membership position, and Mitsuhira SHIMAZAKI has been elected as the Vice Chairman of the Board, provided that these matters are submitted for approval of the General Assembly at the next General Assembly meeting.

There are no restrictions or limitations for the Board Members to perform another task or other tasks externally. The resumes of the Board Members, their external tasks (their tasks outside of the Company), as within the group and outside of the group, are contained in the Activity Report.

Despite there being no Company policy concerning the recommendation “for the rate of woman members at the Board of Directors, a target time and a target rate, provided that it is not less than 25%, will be determined, and a policy will be prepared in order to achieve these targets”, which is contained in Article 4.3.9 of the Communiqué; attention is paid to this matter, and Güler Sabancı presides over the Brisa's Board of Directors.

## 5.2 Board of Directors Principles of Activity

As outlined in the Articles of Association, the Board of Directors holds meetings pursuant to the Company business and transaction requirements. However, it is mandatory to hold a meeting at least once every three months. The Board of Directors holds meetings upon invitation by the Chairperson or the Vice Chairman of the Board. The Board of Directors' meetings may be held in Turkey or outside of Turkey, with the participations of its members. The Board of Directors' resolutions are taken in Turkish and in English.

The agendas of the Company Board of Directors' meetings are determined upon the Chairperson of the Board discussing the agenda topics with the current Board Members and the General Manager. The invitations to the Board meetings are, in advance of minimum 10 days to the meeting dates, communicated by e-mails, registered letters or by facsimile messages bearing signature. The Members pay attention to participate in and declare their opinions at every meeting. In urgent cases, this procedure is not complied with. However, in such cases, in order that such Board of Director's meeting can be started, it is mandatory that 8 (eight) Board Members participate in the meeting. The dates of the meetings are also determined under the Board of Directors' relevant resolutions. If the Chairperson or the Vice Chairman does not invite the Board Members to the meeting upon written request submitted by one of the Members, the Members become entitled to invite the Board to the meeting, on their own motion. Unless one of the Members requests for discussion; the Board of Directors' resolutions may, pursuant to Article 390 (4) of the Turkish Commercial Code, also be taken upon written approvals of minimum 8 (eight) Members, by obtaining written approvals of the other 7 (seven) Members (as a minimum) for a written proposal submitted by one of them to all Members, with respect to a certain matter.

The Board of Directors held a total of 26 meetings in 2014, 4 of which were face-to-face meetings and 22 of which were held by obtaining written consents in line with the provisions set forth under the Turkish Commercial Code and the Articles of Association. While taking resolutions on the matters, unanimity has been sought and the Corporate Governance Principles have been complied with.

At the Board of Directors, each Member has one voting right. As required by the Articles of Association; at the Board of Directors, resolutions gain validity upon affirmative votes of 8 (eight) or more than 8 (eight) Members out of 11 (eleven) Members.

No contrary views were expressed by the Board Members at the meetings held in 2014. Since the Board Members have raised no questions, no records have been kept with respect to this matter.

The Board Members have no weighted voting right and/or veto right.

Within the scope of Article 10 contained in the Capital Market Board's (CMB) Corporate Governance Communiqué Serial:II.17.1, in case it is foreseen that the rate of amount of common and continuous transactions between our Company and its associated parties within one accounting period to the amount of cost of sales according to the latest annual financial statements disclosed to the public in purchasing transactions or to the amount of revenue according to the latest financial statements disclosed to the public in sales transactions will be equal to 10% or more than 10%, it is necessary to prepare a report about conditions of the transactions and about comparison with the market conditions, and disclose the report or the concluding part thereof.

Within this scope; the report, which has been prepared about "the transactions planned to be carried out with the associated parties" in the Company's 2014 accounting period, has been reviewed and adopted in accordance with our Board of Directors' resolution dated 8 April 2014 and No 2014/12, and the concluding part of the report has been disclosed on KAP.

Accordingly; "the transactions for purchase of goods (rubber), which was carried out in 2013 by BRISA with the associated enterprise Bridgestone Singapore Pte. Ltd, have taken place in compliance with the market conditions and at arm's length. Similarly; the transactions, which will be carried out in 2014 by BRISA with the associated enterprise, shall take place in compliance with the market conditions, within the framework as planned in the Company's budget."

During the reporting period, there were no associated party transactions, or transactions of an important nature, submitted for approval of the independent Board Members, and no transaction was rejected and submitted for approval of the General Assembly.

The management rights and the representation authorities of the Company Board of Directors are defined in the Articles of Association.

In 2014, in line with Articles 395 and 396 of the Turkish Commercial Code, despite the fact that the Chairperson and the Members of the Board were granted permission to carry out, on their behalves or on behalf of others, the transactions included in the Company's fields of activities, and to participate, as partners, in other companies engaged in such commercial affairs; they have not carried out such transactions on their behalves or on behalf of others, and have not made any attempts to compete in the same fields of activities.

In accordance with Article 4.2.8 of the Communiqué; faults/discrepancies of Board Members that may occur in the course of their tasks and damages/losses that may be caused by the Board Members against the Company have been insured within the scope of Directors Liability Insurance with an insurance coverage amounting to 40 million US Dollars.

### **5.3 Committees of the Board of Directors, Number, Structure and Independency**

In order that the Board of Directors fulfills the requirements of its tasks and responsibilities properly; the Committee Responsible for Audits (in short, "the Audit Committee"), the Corporate Governance Committee and the Early Identification of Risks Committee have been established by taking into consideration the Legislation on Capital Markets, the arrangements issued by the Capital Markets Board as well as the Corporate Governance Principles. Furthermore, the "Nomination Committee" and "Earnings Committee" obligations, which are contained in Article 4.5.1 of the Communiqué, are assumed by "the Corporate Governance Committee".

The resolutions, which have been taken by the Committees in consequence of the studies carried out independently by the Committees, are, as a proposal, submitted to the Board of Directors, and the final resolution is taken by them as such.

Brisa has ensured the structuring of the Board of Directors within the framework of the Corporate Governance Principles Communiqué. Although attention is paid to comply with the recommendation "a Board Member shall not take part in more than one committee" as mentioned in Article 4.5.5 of the Communiqué; some of the Board Members take part in more than one committee due to the committee structuring requirements, the number of Board Members and because of the business expertise required by the committee membership. Within this scope, due to the requirements that the Audit Committee entirely comprises independent Board Members and that the presidents of the other committees comprise independent Board Members; Hüsnü PAÇACIOĞLU holds office in all the three committees. Mehmet Nurettin Pekarun and Kazuto Sembu hold office, as a member, both in the Corporate Governance Committee and the Early Identification of Risks Committee.

The Committees have carried out their studies and activities systematically since the day they were established.

In 2014, no conflicts of interest have occurred in the Committees.

Information about the Committees of the Board of Directors is provided below:

#### **Audit Committee**

Within the scope of the provision contained in Article 28/A, which has been included by its Communiqué Serial:X, No:19 in the Capital Markets Board's Communiqué Serial:X, No:16 on "Independent Audits in the Capital Markets"; the tasks of the Audit Committee that has been established under the Company Board of Directors' Resolution dated 21 March 2003 are to furnish the Company Board of Directors information about the Company's accounting system, financial reporting, financial information disclosed to the public, the activities of the Internal Control Department, independent audits and the functioning and effectiveness of the internal control system, and to provide supports to the studies and activities of the Company in respect of compliance with the relevant laws and codes, particularly the Legislation on the Capital Markets Board, and with the Corporate Governance Principles and the Company's ethical rules, and thereby, to fulfill the supervision functions with respect to these matters.

At the Company Board of Directors' meeting dated 30 April 2012 and No 600; it has been resolved that the following Board Members are elected as the members of the Audit Committee, and that this Committee is granted the authority to fulfill the tasks indicated by the provisions of the Capital Markets Board's Communiqué Serial X, No: 22.

Name Surname	Title	Board Member Status
Hasan Cihat Erbaşol	President of the Audit Committee	Independent Board Member
Hüsnü Paçacıođlu	Member of the Audit Committee	Independent Board Member

Under our Company Board of Directors' Resolution dated 25 March 2014 and No 2014/10, after the 2013 Shareholders' Ordinary General Assembly meeting held on 21 March 2014, it has been resolved that the Audit Committee memberships shall resume as indicated above.

The members are comprised of persons who do not assume direct executive functions and bear the independent Board Member status and have adequate knowledge and experience in financial matters. The President and the Member of the Audit Committee is assigned by the Board of Directors. The reporting activities of the Audit Committee are carried out by the Company's Internal Control Department. All kinds of support and the resources required for fulfillment of its tasks and functions are provided to the Audit Committee by the Board of Directors.

The Committee holds meetings at least four times a year, namely at least once every three months (quarterly session); prepares the records of these meetings, and submits them to the Board of Directors. At the meetings, in general, the matters such as reviews on the studies and activities carried out by the Internal Control Department and by the Independent Auditing Firm, analysis on the financial statements, investigations on violations of business ethics and codes of conduct constitute the articles of the agenda.

In 2014, the Audit Committee held 4 meetings in the twelve months' period, and has submitted the Board of Directors the report concerning the authenticity and accuracy of the financial statements to be disclosed to the public. Moreover, in 2014, the Audit Committee held 4 meetings with the Internal Control Department, and approved the audit agenda, reviewed the internal control reports pertaining to 11 business processes, and discussed the sufficiency of the internal control system.

The main activities carried out by the Audit Committee in 2014 are as follows:

- Following up of the financial and operational activities of the Company,
- Supervision of the authenticity and accuracy of the annual and interim financial statements (to be disclosed to the public) with the accounting principles followed by the Company, and their approval,
- Selection of the independent auditing company, preparation of the independent auditing contracts, and initiation of the independent auditing process,
- Following up of the effectiveness and performance of the independent auditing activities,
- Supervision of the functioning and effectiveness of the internal control and internal audit systems,
- Evaluations on the data obtained in relation to the internal control system, and submission of the related report to the Board of Directors,
- Reviews on and approval of the reports concerning internal controls and internal audits.

### **Corporate Governance Committee**

In line with the Capital Markets Board's (CMB) Corporate Governance Communiqué that is in force; the Corporate Governance Committee, which has been formed in order to monitor the compliance of the Company with the Corporate Governance Principles, carry out improvement studies and activities in this respect and submit relevant recommendations to the Board of Directors, has been established and its Internal Regulations have been approved under the Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. Board of Directors' resolution dated 30 April 2012 and No 600. Under the Board of Directors' resolution dated 2 August 2013 and No 2013/13, the Internal Regulations have been revised for the reason that the Early Identification of Risks Committee, which has previously taken part within the body of this Committee, has been separated from it. As required by the Board of Directors' resolution dated 30.06.2014, No 2014/16 and also required by the Communiqué; the Vice General Manager-Finance, Bora Çermikli, who is eligible with regard to the criteria determined within the scope of the Communiqué, as required by the Communiqué, has been elected as a Member of the Corporate Governance Committee, and the number of the members of the said Corporate Governance Committee has been increased to 4 (four), and the Internal Regulations have been revised and approved once again.

Under the Board of Directors' resolution dated 6 May 2014 and No 2014/15; Kazuto Sembu has been elected as the new member of the Committee, in substitution for Kazuyuki Eguchi who has resigned from the membership of the Board, and consequently, from the membership of the Corporate Governance Committee.



The Corporate Governance Committee comprises the following members:

Name Surname	Title	Board Member Status
Hüsnü Paçacıođlu	President of the Corporate Governance Committee	Independent Board Member
Mehmet Nurettin Pekarun	Corporate Governance Committee Member	Board Member – Non-executive
Kazuto Sembu	Corporate Governance Committee Member	Board Member – Executive
Bora Çermikli	Corporate Governance Committee Member	Chief Finance Officer

The Corporate Governance Committee comprises two reporters and maximum four members, including the President, assigned from among the independent members by the Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. Board of Directors in line with the Capital Markets Board's "Corporate Governance Principles". The Committee Members (other than the President) comprise a maximum of three members, viz. the Chief Finance Officer (CFO) responsible for the Investor Relations Department and two Board Members elected by the Board of Directors. The Director Responsible for Human Resources and the Investor Relations Director, the holder of "the Capital Markets Board Advance Level License", carry out reporting activities of the Committee, in the matters relevant to their tasks.

In case the position "President of the Committee" becomes vacant for any reason; the Chairperson of the Board will assign one of the Committee Members as the temporary President to hold office until such time as a new President is assigned at the next Board of Directors' meeting following the vacancy.

The agendas of the Committee meetings are determined by the President of the Committee. In case inclusion of matters into the agenda is requested by members and/or shareholders, they shall submit these matters to the President of the Corporate Governance Committee through the channel of the Reporters.

The meetings of the Corporate Governance Committee are held, at least four times per year, on the dates and at the places deemed acceptable by the President. The meeting and resolution quorum is the absolute majority of the total number of the members. Other persons that are deemed acceptable by the President may also participate in the meetings.

All activities and studies carried out by the Corporate Governance Committee are put into writing and their records are kept by the said Committee. The reports, which contain all information about its activities and studies as well as the results of the meetings, are communicated to the Board of Directors by the Committee.

In 2014, the Corporate Governance Committee held 4 meetings.

The activities carried out by the Committee in 2014 are as follows:

- Within the scope of compliance with the Capital Markets Board's (CMB) Corporate Governance Communiqué No II-17.1; submission, to the Board of Directors, of recommendations for improvement of the corporate governance practices/implementations, and conduct and supervision of the activities and studies required for compliance with the legislation within the body of the Company,
- Supervision of the activities and studies carried out by the Investor Relations Department,
- Consideration of the Company's long-term targets, determining the principles, criteria and implementations, which shall apply to the remuneration of the executives/managers/directors holding administrative responsibilities, and their supervision,
- Consideration of the level of achievement of the criteria that apply to remuneration, submission of recommendations to the Board of Directors in relation to the remunerations to be paid to the executives/managers/directors holding administrative responsibilities,
- In compliance with the criteria determined under Article 17 of the Capital Markets Board's Material Events Communiqué No II-15.1; revision of our Company's current "Information Sharing Policy", and submission of these revisions for approval of the Board of Directors,

- As required by Article 1.3.10 of the Corporate Governance Principles published as attached to the Capital Markets Board's Corporate Governance Communiqué No II-17.1; preparation of our Company's "Donation and Charity Policy", and submission of this Policy for approval of the Board of Directors.

#### Early Identification of Risks Committee

The Early Identification of Risks Committee has been established in order that this Committee holds office and is authorized under the Brisa Board of Directors' resolution dated 2 August 2013 and No 2013/13 and pursuant to the provisions of Article 378 contained in the Turkish Commercial Code No 6102 and the provisions of the Capital Markets Board's Corporate Governance Communiqué.

The Committee carries out studies and activities for early identification of strategic, operational, financial and external and all kinds of other risks that may jeopardize Brisa's existence, growth and continuity, for implementation measures and remedies required for these purposes, and for management of such risks. The Early Identification of Risks Committee comprises the following members:

Name Surname	Title	Board Member Status
Hüsnü Paçacıoğlu	President of the Early Identification of Risks Committee	Independent Board Member
Mehmet Nurettin Pekarun	Member of the Early Identification of Risks Committee	Board Member – Non-executive
Kazuto Sembu	Member of the Early Identification of Risks Committee	Board Member – Executive

Under the Board of Directors' resolution dated 6 May 2014 and No 2014/15; Kazuto Sembu has been elected as the new member of the Committee, in substitution for Kazuyuki Eguchi who has resigned from the membership of the Board, and consequently, from the membership of the Corporate Governance Committee.

The President of the Early Identification of Risks Committee is assigned from among the independent members by the Brisa Board of Directors.

The Committee comprises a minimum of two members elected by the Board of Directors. Other persons that are deemed acceptable by the President may also participate in the meetings. The Committee Members' terms of office are in parallel to the Board Members' terms of office. The Committee is re-formed, following election of the said Board Members.

The meetings of the Early Identification of Risks Committee are held, at least six times per year, at the places deemed acceptable by the President.

In 2014, the Early Identification of Risks Committee held 6 meetings.

#### 5.4. Risk Management and Internal Control Mechanism

##### Organization

As required by Article 378 of the New Turkish Commercial Code entered into force on 01 July 2012, and also by the relevant sections of the CMB's Communiqué Serial:IV, No:56 dated 30 December 2011; Boards of Directors are obliged to establish a committee of specialists for early identification of causes jeopardizing their companies' existence, growth and continuity, for implementation measures and remedies required for these purposes, and for management of such risks, and enable the mechanism to function and develop at their companies whose stocks are traded at the stock exchange.

The Early Identification of Risks Committee has been established in accordance with Article 6 of the Communiqué Serial:IV, No:63 Concerning Amendments to the Communiqué Serial:IV, No:56 on Determining and Implementation of the Corporate Governance Principles published by CMB on 22.02.2013. The Committee has taken over all of the tasks that were previously entrusted with "the Corporate Governance Committee", in relation to early identification of risks.

“The Early Identification of Risks Committee” also assumes the tasks of the risk committee, referred to in Article 378 of the New Turkish Commercial Code. In the reports submitted to the Board of Directors once every two months by the Early Identification of Risks Committee, the Committee carries out situation assessments for critical risks, and points out hazards if any, and indicates the remedies. The reports submitted to the Board of Directors are also communicated to the independent auditor of the Company. The Committee also assesses the effectiveness of the Company’s risk management system once a year.

The Risk Committee and the Risk Management Department have been established within the body of the Company in order to ensure that all risks of the Company are identified earlier, are managed effectively and that they are integrated with the Company’s strategies and processes. The Risk Committee comprises the Risk Manager and the members of the Executive Board are comprised of the General Manager, the Executive Coordinator, the Chief Technical Officer, the Chief Commercial Officer, the Chief Finance Officer and the Financial Assistant respectively.

#### The Framework and Process of Risk Management

The Risk Management Department integrates the corporate risk management with the Company strategies and corporate culture targeting to enable all employees to focus on risks, opportunities and liabilities besides their performance while executing their daily operations and thus contribute to the sustainable development of the Company and generate added value.

The Risk Management Department, together with the full support of the executive team and the active participation of the Company personnel, undertakes activities of specifying and evaluating the entire risks of the Company within the framework of the risk management policy and the standards supported and approved by the top management, specifying strategies and actions with the co-operation of personnel who are responsible for the risks, the coordination of risk management and the follow-up of the risk management action plans of the various functions, designing policies and procedures in line with the risk appetite of the Company and the follow-up of the processes to make sure they are in line with the aforementioned policies and procedures, developing and managing work continuity policy and plans, and preparing and sharing the risk management reports.

Within the framework of risk management process the determination and adoption of the risk concepts regarding all personnel -from top management to the bottom-, as well as the corporate risks, risk responsibilities and common risk awareness; the follow-up of the changes in these elements and their continuous improvement are regarded as key success factors and accepted as one of the essential strategic targets of our Company.

Risk Management Department organizes risk evaluation workshops each year with all the Company functions in order to specify and define the strategic, financial, operational and compliance based risks of functions; measure and prioritise the impact and probability of the financial, reputational, environmental, and human loss scenarios of risks; decide on the strategies and actions to mitigate, eliminate or transfer the negative aspects of the aforementioned risks; determine the critical key risk indicators and risk tolerances, and the follow-up of the current risk management actions. The Risk Committee convenes each year in an attempt to evaluate yearly risk evaluation outcomes and the risk management strategies.

The Risk Management Department shares the key risky areas of the Company in numeric indicators and the monthly development trends, the status of these indicators in regard to specified limits and tolerances, the reasons of deviations and changes, the cost and reasons of business interruptions and the actions taken with the entire executive team on a monthly basis. Thus the Company provides an early warning mechanism in order for interacting functions to form a common risk perception and a management strategy. Moreover, throughout the year the Directorate shares the specific risk analysis works obtained from national or international resources or conducted within the Company’s premises in the format of a report with the related executives.

The Corporate Management Committee established by various Board Members carries out bi-monthly evaluation discussions and presents a risk evaluation report to the Board for critical risks based on the information obtained from the Risk Management Department and the Risk Committee, and evaluates the effectiveness of the company’s risk management systems on a yearly basis.

## Operational Risk Management and Business Continuity Planning

The Company gives utmost importance to ensure the sustainability of its entire work processes and corporate operations in order to provide the highest possible value to its stakeholders. The operational risk management activities of the Company involves emergency intervention at the time of incidents, crisis management, business continuity and rescue steps and are pursued on a platform established by all related personnel and within the scope of a planned road map including continuous review and improvements.

The Risk Management Department carries out activities of designing business continuity policies and plans with the related functions, disseminating such policies and plans across the Company, as well as updating and testing them in order to mitigate the business and manufacturing interruptions and losses, which may result from supply chain problems, information system interruptions, machine break-downs, fire, natural disaster, pandemic disease and similar incidences. The ultimate target of these initiatives is to ensure the elements below without compromising in product safety and quality, compliance with laws and regulations, corporate reputation, social responsibility awareness, priority and value given to human life and environmental responsiveness;

- Ensure the management of incidence/emergency case occurring during business process interruptions and the flow of appropriate internal/external communication,
- Develop and continuously improve response and intervention plans in order to provide critical services in a non-interrupted manner to customers,
- Benefit from all resources in an effective and efficient way in circumstances when the personnel and other resources are limited,
- To mitigate the interruption period to the lowest level for the company, customers, suppliers and other stakeholders,
- Proceed to switching back to the normal working order in the most effective way after the rescue work conducted upon any possible interruption,
- Invest in the infrastructure of the company in such a way as to mitigate interruption possibilities,
- Mitigate the financial and reputational negative aspects of business interruptions.

Company employees are the key responsibility people in detecting the reasons of operational process interruptions, which they manage or are a part of, taking the necessary measures, and executing the business continuity plan, which they also contributed to the designation of, accurately and on time. Risk Management Department is responsible for coordinating the designing, reviewing and implementing of the business continuity plan across the company and has developed a corporate policy and guideline regarding the company wide business continuity management and planning with the support of the top management.

### Confronting Future Risks

Due to our foreign currency positions as a result of buying raw materials mostly in USD and selling our products in different currencies such as Turkish Lira, Euro and USD, the fluctuations in the foreign currency exchanges become one of our main macro-economical risk factors. In order to manage this risk in the most appropriate way we use financial instruments and tools, which are designed according to the company profile and operations and are implemented within the "hedging" policy of the company in the most effective way. The implementation of these instruments and tools enables us to take early measures against the negative impact of the forex fluctuations.

Considering the fact that raw material costs comprise a major part of the overall product cost, it can be projected that the sudden fluctuations in raw material costs dramatically impact the profitability of the company. At times when volatility of the raw material prices are high and price movements are sharp there may be challenges (bottleneck, delay, postponement, recession, etc) in product supply. The impact of future sharp price changes and supply imbalances are minimized through the procurement of the specific amounts of raw materials with forward purchase and in appropriate prices within our company forward purchase policy including the close follow-up of and the detailed analysis of the international markets.

## Internal Audit and Internal Control

The company has an internal audit and internal control mechanism. The internal audits and internal controls are carried out in order to execute company operations and services in an efficient, reliable and uninterrupted way, develop the risk management, control system and corporate management implementations of the company and contribute to achieving the corporate and economic targets, and ensure the uniformity, consistency and reliability of the information obtained from the accounting and financial reporting system.

The existence, operation and effectiveness of the internal audits and internal controls are carried out by the Audit Committee embodied to the Board. The Audit Committee undertakes the responsibilities assigned by the Board within the scope of the current internal regulation and submits its activities and recommendations pertaining to its work and responsibilities to the Chairman of the Board.

Moreover, in order to sustain the healthy functioning of the internal audit and internal control mechanisms, and as per the principle of independency, an Internal Audit Directorate, which is directly affiliated to the Board, carries out activities. The Audit Committee hold regular meetings with the Internal Audit Department in order to discuss the adequacy of the internal control system and reports its review to the Board.

An Internal Audit Department Regulation has been prepared explaining the position and independency of the Internal Audit Department within the organization and has come into effect upon the approval of the Audit Committee. In addition, the Audit Department has prepared and put into effect an Audit Guideline explaining its working model.

### **5.5 Strategic Targets of the Company**

Brisa's mission, vision, values and policies are reviewed by the top management each year, and the strategic targets adopted in line with these elements are shared with the employees at the yearly meetings and announced on the Brisa web site.

Brisa's Mission; "Provide superior values to the society through sustainable growth."

Brisa's Vision; "To innovate your journey"

The strategic targets, which are determined by the Executive Board and in line with the mission and vision of Brisa are discussed and approved by the Board within the scope of budget and mid term plan meetings. Budget is planned once per annum together with drafting the 5 year mid term plan.

The strategy targets are specified within the scope of the topics below:

- Financial Outcomes
- Customer Experience
- Operational Excellency
- Human Resources and Organizational Development
- Information Systems
- Risk Management
- Corporate Governance
- Sustainability
- Innovation

In line with these approved targets all functions of the entire organization as well as each function specifically receives attained targets. All company employees carry out their work in line with the vision and strategic targets and associate them with their individual ones. Annual performance evaluation is conducted on these targets.

Strategic targets and performance indicators are monitored by software only tailored for this purpose and the Executive Committee hold a minimum of bi-monthly meetings in order to evaluate the company performance over the outputs of the software. Evaluations are done in a detailed manner in order to take necessary actions and decisions based upon continuous forecast analysis regarding the approximation or distance to the overall year-end targets and work is carried out in an attempt to achieve key performance indicators.

The level in achieving company targets, operations and term performances are reviewed at least four times per year during the Board meetings.

## 5.6. Financial Rights

The Board of Directors is responsible for achievement, by the Company, of its operational and financial performance targets that have been determined and disclosed to the public.

In accordance with the CMB's mandatory Corporate Governance Principle No 4.6.2; the criteria, which apply to all kinds of rights, benefits and remunerations provided to the Senior Management and the Board Members holding administrative responsibilities, and apply to determination of such rights, benefits and remunerations, and the principles of remuneration have, as a separate Article, been submitted for information of the shareholders, and the opportunity to declare opinions on these matters has been provided with the shareholders at the 2011 Shareholders' Ordinary General Assembly meeting held on 27 April 2012. In addition, the matters have been disclosed to the public, as contained in the Remuneration Policy published on the web site of the Company.

According to the Articles of Association; all kinds of remunerations, benefits and rights that will be provided to the Board Members are decided at the Ordinary General Assembly meetings. The remunerations, which are deemed acceptable by the shareholders and decided at the General Assembly meetings every year, are contained in the minutes of the meetings, and subsequently announced to the public. At the 2012 Shareholders' Ordinary General Assembly meeting held on 25 March 2013, it has been resolved that the monthly gross remuneration amounting to TL 3.000 shall be paid to the Board Members over the course of their terms of office.

As per the CMB's mandatory Corporate Governance Principle No 4.6.3; stock options or payment plans based on the Company's performance do not apply in the remuneration of the independent Board Members.

The rights, benefits and remunerations provided to the Senior Management are collectively contained in the footnotes of the financial statements pertaining to the relevant period. Within this scope, the sum of the salaries and remunerations paid in the twelve months' period ended on 31.12.2014 is 4.220 thousand Turkish Liras (2013: 3.914 thousand Turkish Liras).

In 2014, the Company has not advanced money, has not provided any loan facilities and has not extended credits (under the name of personal loan through a third party) or sureties (such as surety in favor) to any Board Members or the Senior Management.