

# SÜTAŞ INC.

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## Corporate Governance Compliance Report

### 1. Corporate Governance Principles: Compliance Statement

SÜTAŞ MILK PRODUCTS INCORPORATED recognizes the benefits and importance of Corporate Governance Principles that became an increasingly important phenomenon for companies.

All the activities of our Company are carried out in compliance with the legal regulations and the “Corporate Governance Principles”.

SÜTAŞ MILK PRODUCTS INC. is conducting studies to ensure compliance with the majority of Corporate Governance Principles.

Most of the amendments necessary for full compliance to the Corporate Governance Principles are concluded, while some of them are in progress.

As a consequence of the works carried out under the Corporate Governance compliance framework, Investor Relations Division, the Corporate Governance Committee, the Charters Committees were established, the policies were put in writing and the web site was amended accordingly.

The company will continue to follow the developments and practices on the legislation and perform the necessary tasks for the corporate governance compliance.

In addition to the fact that some Corporate Governance practices became mandatory following legal regulations, the measurement and grading processes that will be conducted by independent firms to constantly improve and develop these practices are especially important for our Company.

At this point, on 25.08.2014, Sütaş Milk Products Inc. signed a grading agreement with SAHA Corporate Governance and Credit Grading Services Inc.

Our findings about the compliance level of our Company with Corporate Governance Principles are presented below for your information.

H.Saffeddin Karpaz  
Corporate Governance Committee  
**Chairperson**

Aynur Duygu Yılmaz  
Corporate Governance Committee  
**Member**

Aykut Bilbay  
Corporate Governance Committee  
**Member**

### PART I - SHAREHOLDERS

#### 2. Investor Relations Department

The Investor Relations Department was established to monitor the relations between the partners and the Company, to ensure effective communication between the shareholders and the Board of Directors and to fulfill the information requests of shareholders in full, in line with Corporate Governance Principles. This Department reports to the Chief Financial Officer.

The individuals in charge of Investor Relations Division are Mr. Murat Özdalga, Mr. Murat Coşkun and Ms. Dilara Köktürk. Mr. Murat Özdalga is the manager of the division.

The contact details for the Investor Relations Department are as follows:

Name Last Name	Phone No.	E mail Address
Murat Özdalga	0 224 688 51 01	mozdalga@sutas.com.tr
Murat Coşkun	0 224 688 51 01	mcoskun@sutas.com.tr
Dilara Köktürk	0216 572 30 50	dkokturk@sutas.com.tr

The Investor Relations Division essentially;

- Ensures healthy, reliable and current monitoring of Shareholder records,
- Responds to the written information requests by shareholders about the company according to the legislation, Articles of Association, Corporate Governance Principles and the Disclosure Policy, except for matters undisclosed to the public, confidential and/or trade secrets,
- Ensures that the General Assembly Meeting is conducted according to the legislation in force, Articles of Association and other intra-company regulations,
- Prepares the documents that can be beneficial to shareholders attending the General Assembly Meeting,
- Helps the meeting chairman and carries out the necessary work to properly maintain the meeting minutiae, record the voting results and drafting of reports about the results,
- Offers recommendations to ensure that annual reports are prepared according to the legislation and Corporate Governance Principles.

### 3. Shareholders' Right to Information

All the information requests of our shareholders our Investor Relations Department during the year were answered, except those that are undisclosed to the public, confidential and/or trade secrets.

Our Company has taken the necessary measures to ensure that information requests are evaluated and answered by our Investor Relations Department as soon as possible, completely and accurately.

The matters that our shareholders frequently request information about and the developments that may significantly affect the exercise of their rights are posted on our web site at [www.sutas.com.tr](http://www.sutas.com.tr).

All the information necessary for our shareholders to exercise their rights in full is provided on our web site, in our annual report and in the replies to individual requests.

### 4. General Assembly Meetings

The General Assembly Meeting, to discuss the 2014 business results was held on April 22, 2015 at 11:00 in SÜTAŞ MILK PRODUCTS INCORPORATED's address at Karacabey District, Uluabat Village, Bursa.

Announcements for the invitation to the Company's General Assembly Meeting are made according to the relevant provisions of Turkish Commercial Code, regulations and notifications issued under that Code, and other relevant legislation, as provided under Article 20 "Announcement" of the Articles of Association.

The first announcement for the meeting was issued in the Turkish Trade Registry Gazette dated March 31, 2015. Moreover, the meeting was also announced on our web site and in the local newspaper, and a notice stating the date, place and agenda of the meeting was sent to the shareholders who have specified their addresses by mail.

The Ordinary General Assembly Meeting convened with a meeting quorum of 99.77%, in other words, with shareholders representing the TL 41,000.000.00 of the paid capital of TL 41,000.000.00.

Questions raised by some of our shareholders during the meeting about the agenda was

Financial statements and reports including the annual report, informational documents prepared about General Assembly agenda items (if needed), final version of the Articles of Association and the amendment texts and justifications (if amendments will be made on the Articles of Association) have been held open to inspection by our Shareholders in our Company Headquarters and specified branch offices from the date of the invitation announcement for the General Assembly Meeting. If there are any changes to the Articles of Association, both the old and amended copies should be available.

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Our shareholders can also directly access the information and documents about the ordinary General Assembly Meeting through our corporate web site at [www.sutas.com.tr](http://www.sutas.com.tr)

In case a question posed in the General Assembly is irrelevant to the agenda or so broad that it cannot be answered instantly, the question will be answered at the latest within 30 business days by the Investor Relations Department in writing.

### **5. Voting Rights and Minority Rights**

General Assembly Meetings and the quorum at the meetings are subject to the provisions of Turkish Commercial Code.

Shareholders or their proxies present in ordinary and extraordinary General Assembly Meetings have the right to one vote per share.

Votes are cast by raising hands in the General Assembly Meetings.

It is possible that a secret vote be held upon request by the shareholders representing one tenth of the capital represented by all the shareholders present in the General Assembly Meeting.

Shareholders may not vote in deliberations concerning personal matters or litigations between themselves or their spouses or their relatives and the Company.

The shareholders may choose to represent themselves in the General Assembly Meetings via other shareholders or an exterior proxy that they will assign in line with the provisions of Turkish Commercial Code concerning voting by proxy. Proxies who are themselves shareholders of the Company are authorized to use the votes of the shareholder they represent in addition to their own votes.

Our shareholders and our Company have a cross-shareholding relationship and the capital of Paksüt Industry and Trading Inc., which is a subsidiary of our Company, is TL 100,000. 24.86% of that capital belongs to our Company and 40% belongs to Mr. Muharrem Yılmaz, a partner of our Company.

### **6. Dividend Distribution Policy**

Our company bases its decisions about dividend distribution on the provisions of Turkish Commercial Code, tax regulations and other regulations, as well as the dividend distribution provisions in our Articles of Association. A consistent policy is implemented and dividends are distributed considering the balance between stakeholders and Company interests in line CMB's Corporate Governance Principles

It is intended to distribute at least 20% of the net distributable profit for the accounting period, calculated according to Turkish Commercial Code and other relevant legislation, in cash and/or bonus shares as dividends. However, this policy will be reviewed annually by the Board of Directors taking investment strategies required for long-term growth, economic environment, market expectations,

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financing requirements and the profitability and cash circumstances into account, and submitted to the General Assembly for approval.

Dividends are distributed at the latest by the end of the year in which the relevant General Assembly meeting is held, unless otherwise decided in the General Assembly meeting. The General Assembly, or the Board of Directors in case it is authorized, may decide to distribute dividends in installments of equivalent or varying amounts according to the provisions of the legislation in force.

The Articles of Association of our Company is suitable for the distribution of advance dividends, and the Board of Directors may decide to distribute advance dividends limited to the relevant accounting period, provided it is authorized by the General Assembly, and subject to the provisions of the legislation in force.

### **7. Share Transfer**

There are no provisions in the Company's Articles of Association that restrain the transfer of shares. Transfer of shares is conducted according to the relevant provisions of Turkish Commercial Code.

## **PART II – PUBLIC DISCLOSURE AND TRANSPARENCY**

### **8. Company Disclosure Policy**

The main purpose of Sütaş Milk Products Inc. ("Sütaş" or "Company") Disclosure Policy is to provide timely, accurate, complete and understandable information to shareholders and stakeholders, to define the principles of oral and written communication. This disclosure policy is established based on Turkish Commercial Code, other legal regulations and the Corporate Governance Principles.

The Corporate Governance Committee assigned by the Board of Directors is responsible for the establishment and development of the Disclosure Policy, and for monitoring its processes.

Our Company uses the following methods and tools while implementing its public information and disclosure policy:

#### ***i) Disclosure to Shareholders:***

- Our regular General Assembly meetings are convened in legal periods annually. The information relevant to Shareholders' participation in the General Assembly and announcements related to capital increase and dividend payments are made through the Turkish Trade Registry Gazette, mail and e-mail.
- The Company's financial statements and footnotes, prepared according to Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") along with a suitability opinion from the Audit and Risk Committee and the independent audit reports are announced to shareholders in line with TCC regulations.
- Our activity reports and any information and documentation required by the legal

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regulations are available to shareholders. The annual report approved by the Board of Directors is published in English and in Turkish on the web site.

- All requests for opinion, information and meetings from the shareholders are evaluated by the "Investor Relations Department".

### ***ii) Disclosures through the Corporate Web Site***

The web site [www.sutas.com.tr](http://www.sutas.com.tr) includes details about the Company, current and historical data according to Corporate Governance Principles. Major titles on the web site include:

- Our mission, vision and values
- Information regarding Corporate Governance
  - Articles of Association
  - Trade Registry Information
  - Company Shareholder Structure
  - Members of the Board of Directors
  - Board Committees
  - Corporate Governance Policies
  - Code of Ethics
  - Corporate Governance Principles Compliance Report
  - General Assembly Reports (meeting date, agenda and attendance sheet of the General Assembly)
- Annual Reports
- Frequently asked questions
- Press Releases
- Information about Corporate Social Responsibility Activities
- Information about the field of activity and products

### ***iii) Disclosure through press and monitoring news stories***

- Press releases containing operating results of our Company, including year-end operating results, its performance, developments during the accounting period and future plans and/or press conferences are held. The aforementioned works carried out through the press, and replies to information requests from the press are conducted by the Corporate Communications Office. The announced press releases are published on the web site, and are kept up to date.
- A Company Spokesperson who will represent our company in all information channels including the press is assigned by the Chief Executive Officer.
- All kinds of news stories relevant to the Company published on all local, national or international media outlets including TV, printed press, internet and radio are monitored by the Corporate Communications Office. This information is also made available for use by the upper management.
- If an untrue news story relevant to the Company is encountered, the issue is evaluated with the Chief Executive Officer.

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### **iv) Disclosures to other stakeholders:**

- When previously undisclosed information needs to be disclosed in reply to questions posed to our Company by shareholders and stakeholders, the issue is handled by a Group consisting of the Chief Executive Officer, Investor Relations Division Manager, and the Corporate Communications Coordinator under the coordination of the Corporate Governance Committee and evaluated according to the Disclosure Policy.
- Requests and questions reaching the Süttaş Consumer Hotline through communication tools such as phone, e-mail, fax etc. from the customers, suppliers and consumers are addressed in at most 24 hours and the applicant is informed. In case resolving the issue requires more time, the applicant is informed in all the steps of the process. Resolving duration is considered a performance evaluation criterion for the relevant manager.

### **9. Corporate Web Site and its Contents**

The SÜTAŞ MILK PRODUCTS INCORPORATED Web site at [www.sutas.com.tr](http://www.sutas.com.tr) is actively used to inform the public, as prescribed by the Turkish Commercial Code. All disclosures made by SÜTAŞ MILK PRODUCTS INCORPORATED to the public can be accessed via the web site. The web site is structured and sectioned suitably for this purpose. The significant topics that may be accessed via the web site are as follows:

- Corporate Identity Information
- Members of the Board of Directors
- Shareholder Structure
- Company Articles of Association
- Trade Registry Information
- Financial Statements
- Annual Reports
- General Assembly Meeting Date
- Corporate Governance Compliance Report
- Disclosure Policy
- Frequently Asked Questions
- Contact Information

The address of our web site is indicated on our company letterhead.

### **10. Disclosing Ultimate Controlling Shareholder Real Person(s)**

Our company has real and legal persons as shareholders.

The current Shareholder Structure of our company is as follows:

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SHAREHOLDERS	AMOUNT (TL)	RATIO
YILMAZ HOLDING A.Ş.	20,527,333,33	50,07
MUHARREM YILMAZ	20,307,238,96	49,53
OTHER	165,427,71	0,40
<b>Total</b>	<b>41,000,000,00</b>	<b>%100</b>

### PART III - STAKEHOLDERS

#### 11. Disclosure to Stakeholders

Our Stakeholders consist of our shareholders, employees, customers and suppliers. Care is given to regularly supply information about issues concerning our company and the relevant stakeholders, and to regulate as much as possible the relationships with them through written contracts.

Where the stakeholders' rights are not managed through legislation or contracts, the stakeholders' rights shall be protected in good faith and subject to the Company's abilities, considering also the Company's reputation.

Sütaş does not receive an investment counseling services. In order to protect the rights and prevent conflicts of interest, the Company makes contracts with service providers such as grading companies. The company does not have conflicts with institutions that provide consultancy services.

#### 12. Participation of Stakeholders in Management

Our Company is in constant communication with its stakeholders. Their feedback is presented for the evaluation of the upper management following the studies through internal procedures, solutions and policies are developed.

Practices concerning quality, productivity and corporate governance are of great importance to our Company.

#### 13. Human Resources Policy

Our Human Resources vision is to establish a family that consists of good people, of good citizens who have achieved a high level of awareness and responsibility, of good milkmen who became experts and masters of their work who adopt and passionate about the mission to spread the goodness and abundance of milk and make Sütaş into a strong employee brand respected for its mission.



### **Recruitment Policy**

Our recruitment policy is to attract and retain the potential and talented human resource by using tools and techniques that provide equal opportunities to the candidates and appoint them in the most correct manner.

In this context, candidates that we contact via various sources undergo an assessment process based on position. In the assessment process, in addition to interviews, candidates undergo Personality analysis, English proficiency and general aptitude tests, and case studies depending on the level and requirements of the positions.

### **Employee Orientation Policy**

Our orientation process aims the adoption of Süttaş values by our new employees. It also allows them to be ready for their position. During this process, our employees are informed of Süttaş vision, mission, values and business conduct; and they receive the technical training required to perform their tasks.

### **Performance Management Policy**

A performance goal and competency based performance management system is implemented to guide our employees to shared goals, to improve productivity and to reward success. Succession and career planning are established based on performance. Salary and fringe benefit processes are managed.

### **Training Policy**

We perceive the training of our employees as an important aspect of our company's development and we constantly invest in our human resource. Our Training Policy is to support our employees with need-based trainings that will enable them to continue to work with a high motivation and performance.

In this perspective, our employees are provided with self-development trainings, specialty trainings according to the task/position and technical trainings to improve business conduct.

### **Career Management Policy**

The basis of our career policy is to support the sustainability of our Company and to prepare our employees to their future roles. In our company, our employees are given priority on career opportunities and their development is monitored through this perspective.

### **Reward Policy**

To ensure the participation of our employees, to encourage creative and innovative ideas that make a difference and to celebrate success together, ideas that add value to our Company are rewarded through the suggestion system.

### **Equal Opportunity Policy**

Equal opportunity is the basis of our code of ethics, human resources policy and practices. Gender, ethnicity, etc. all kinds of discrimination are strictly unacceptable in our Company. No employee may propagandize their religious and political opinions at work, or base their decisions on these opinions. All of our employees may report to the Ethics Committee anonymously if they face issues such as gender inequality, mobbing and sexual harassment at work.

### **Compliance with the Code-of-Ethics**

All our employees are obligated to comply with our code-of-ethics. Within the scope of the employee orientation program, our employees are informed of our code of ethics, the things that can be done to promote compliance with the code, the ethics committee, the charter of the ethics committee, both verbally and in writing, and in detail.

Evaluations and actions by the ethics committee are implemented in line with to the relevant laws and regulations.

### **Employee Remuneration Policy**

The remuneration Policy adopted at Sütaş Inc. is designed to enable our Company to be competitive in the labor market and to promote sustainable performance for our employees.

A remuneration system based on business values and governed by a grading ~~degree~~ structure is implemented in our Company. Our remuneration package consists of base salary, premiums, bonuses and fringe benefits. These components of our salary package vary according to the position, degree of responsibility, the market value of the position, personal performance and qualities of the employee, the inflation and industry circumstances.

Base salary increase is done based on predetermined criteria. Bonuses are paid at predetermined times in the year and at predetermined rates based on base salary. Performance premiums are paid annually and sales premiums are paid in monthly and 3-monthly periods according to the achievement results of the goals set for the employees and in compliance with our premium system. Additionally, we also have a task based premium system.

### **Compensation Policy**

Our compensation policy is created according to the provisions of Labor Code Nr. 4857. In this context;

- Severance Payment is paid to the employee whose employment contract is terminated under circumstances requiring a severance payment as stipulated in Labor Law nr. 4857, and who has been employed in our Company for a minimum of one year (or to his/her legal heirs in the event of the employee's death), based on the employee's employment duration and salary, within the upper limits determined for severance payments by the law.
- Notice Payment, is implemented by notifying the employee that their employment contract will be terminated, and by granting permission to seek new employment or by paying the

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amount that accrues by the end of the notice period in cash, according to the seniority of the employee.

### 14. Information on Customer and Supplier Relations

Our company is in continuous and regular commercial relations with its suppliers and customers either directly or through distributors.

To maintain this relationship in compliance with business ethics, the customer and supplier relations is extensively discussed in our handbook of code of ethics "Being a Süttaş Family Member".

After sales follow-up, practices for products on shelves, procedures for handling returned products ensure customer satisfaction and the confidentiality of the information and trade secrets of customers and suppliers are respected.

Many channels exist for our suppliers, customers or the final customers (consumer) to send us comments, suggestions or complaints about our products or services. These channels are closely monitored, and issues are resolved. The performance of the organization established for this purpose is constantly evaluated electronically, using predetermined criteria.

Our suppliers, customers or consumers can reach us through our phone and mail addresses: 444 4 SÜT (788), 216 573 45 41, tüketici@sutas.com.tr, kurumsaliletisim@sutas.com.tr All the communications channels are listed prominently on our product packaging, our web site and our advertisement outlets.

All written messages are responded definitely in writing. requests are absolutely replied to in writing. Forms that allow suppliers to request business relations with Süttaş Inc. are available at [www.sutas.com.tr](http://www.sutas.com.tr). The return time for the messages we receive is set to be a maximum of 24 hours. Our consumer hotline receives many "thank you" messages.

The information for all our suppliers and customers is stored in a regularly updated database.

We reach out to our suppliers and customers on special occasions such as the Milk Day, New Year's Eve and holidays.

We measure the satisfaction of our suppliers, customers and consumers through surveys conducted by independent research companies, and make the necessary improvements.

Süttaş Inc. is the most reputable brand in the eyes of suppliers, customers and general public according to the 2014 Reputation Research.

### 15. Social Responsibility

SÜTAŞ INC, is the company that performs the production and distribution activities of SÜTAŞ GROUP. SÜTAŞ GROUP perceives its activities in milk and dairy production as its social responsibility. SÜTAŞ GROUP has developed a unique business model called "From Farm to Table" to ensure the quality and naturalness of the products it offers through SÜTAŞ INC. It conducts its agricultural and energy recycling operations that form the basis of this model, through a collaboration with two different companies.

SÜTAŞ INC, while offering products that contribute to the healthy nutrition and growth of the public and future generations, also contributes to the society's wealth by sharing the blessings of milk with producers, along with the other activities of its parent company. It conducts all these activities with an environment-friendly mindset that aims to return what it has taken from the nature.

#### **Training Activities:**

The most important part of the "From Farm to Table" Business Model that provides the opportunity to manage and audit all the process from the grass that the cows eat to the dairy products that reach the tables is the training activities. Within the framework of the training activities conducted by a sister company, SÜTAŞ GROUP provided free training on dairy farming to more than 16.000 dairy farmers/producers and students and free consultancy services to more than 27.000 producers and entrepreneurs from all over the country and through the first applied training center in Karacabey (established in 1998) and the second applied training center in Aksaray (established in 2010).

SÜTAŞ, through the training activities, aims to improve the quality and quantity of milk produced by dairy farmers and thus contribute to their state of welfare, to enable consumers to access healthier and higher quality dairy products and introduce qualified employees to the sector.

SÜTAŞ GROUP conducts its training activities in collaboration with the Vocational Academies of Uludağ and Aksaray Universities, and the Ministry of Food, Agriculture and Livestock. The trainees who complete their trainings are entitled to a Ministry approved certificate.

In order to train the qualified people needed for the industry, SÜTAŞ GROUP issues grants to the successful students of the "Milk and Dairy Products Technology Program", "Laboratory Technician and Veterinary Health Program", "Feed Technology and Animal Feeding Program" and "Dairy Husbandry Program" of both Uludağ University Karacabey Vocational Academy and Aksaray University Vocational Academy. The scholarship covers education and accomodation expenses, as well as food and social activity expenses.

With the addition of Denmark's Kold College in 2012 to the list of schools that SÜTAŞ GROUP collaborates with, its training activities have become international

(See [www.sutas.com.tr](http://www.sutas.com.tr) for additional information)

### **Environmental Activities:**

SÜTAŞ GROUP considers all natural resources as borrowed from the nature itself and uses these resources in the most efficient way in every stage of production and acts with the principle of recycling.

Water treatment plants, enhanced by constant investment and through efficient water management reclaimed 24% of the used water in 2014.

All the organic waste generated from production processes, manure generated from dairy cattle breeding farms, product waste and factory waste are converted into biogas, then to electricity and heat in energy recycling plants established as part of SÜTAŞ GROUP integrated facilities.

Biogas Plants put into operation in 2013 in Aksaray and October 2014 in Karacabey supplied 34% of the annual electricity consumption of dairy plants in 2014.

It is ensured that the social responsibility and sustainable environmental management projects financed by the Company comply with all the relevant legislation on environment and public health.

### **Sponsorships:**

SÜTAŞ GROUP sponsors conferences, seminars and activities organized by various non-profit organizations to contribute to the growth of dairy industry.

At the universities it is in collaboration with, SÜTAŞ is the main sponsor of international congresses organized annually by the "Milk Community" established by the encouragement of Süttaş.

In 2014, SÜTAŞ INC was, as in previous years, the main sponsor of the "Local Market Chains Meet" Conference and Fair organized by the Turkish Retailers Federation.

The company participated as sponsor to the "Industrial Outlook on Veterinary Medicine" meetings held in Bursa Merinos Ataturk Congress and Culture Center.

## **PART IV - BOARD OF DIRECTORS**

### **16. Structure of the Board of Directors, its Composition and Independent Members**

The Board of Directors is the organ that manages and monitors the company at the highest level by exercising its powers and responsibilities subject to legislations, Articles of Association, company regulations and policies, in line with the authority given it by the shareholders in the General Assembly.

According to our Articles of Association, the Board of Directors is authorized to decide and execute decisions in all matters that do not fall under the exclusive authority of the General Assembly according to the Turkish Commercial Code and the relevant legislation.

The Board of Directors is elected by the General Assembly for a term of not more than 3 years. A

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member who terminated his/her term may be re-elected. The members of the Board of Directors may be replaced if deemed necessary by the General Assembly. It is important to have at least 25% female participation in the Board.

There are executive and non-executive members in the Board of Directors. Non-executive Board members do not assume any other administrative duty in the Company except for their Board membership and they do not intervene in the Company's daily work flow and ordinary activities.

The Chairman of the Board of Directors is not the General Manager of our Company. The Board of Directors acts as the lead player in maintaining efficient communications between the Company and its shareholders, to mitigate and resolve possible disputes.

Two members of the Board of Directors are independent members appointed according to Corporate Governance Principles.

The independence statements of the members of our Board and their biographies are available on our corporate web site.

There is no restriction on the independent members of the Board in terms of holding posts outside of the company.

Information about our Members of the Board of Directors and our General Manager are as follows:

Name Last Name	Position	Executive/Independent/Non-Executive	Employed At
Muharrem Yılmaz	Chairman/ Executive Director	Executive/Not Independent	SÜTAŞ A.Ş.
Serpil Veral	Vice Chairman / General Manager	Executive/Not Independent	SÜTAŞ A.Ş.
Selim Tarık Tezel	Vice Chairman	Executive/Not Independent	SÜTAŞ GROUP
Aykut Bilbay	Member	Executive/Not Independent	SÜTAŞ A.Ş. Chief Management Systems Officer
Hüseyin Mustafa Çevik	Member	Executive/Not Independent	SÜTAŞ A.Ş. Chief Financial Officer
İlhan İl	Member	Non-Executive/Independent	
Hüseyin Saffeddin Karpaz	Member	Non-Executive/Independent	
Mürvet Tezel	Member	Non-Executive/Not Independent	SÜTAŞ A.Ş.

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Yaşar Ulukaya	Member	Non-Executive/Not Independent	SÜTAŞ A.Ş.
Aynur Duygu Yılmaz	Member	Non-Executive/Not Independent	SÜTAŞ A.Ş. Chief Audit Officer
Haydar Yılmaz	Member	Non-Executive/Not Independent	SÜTAŞ GROUP

### 17. Powers and Responsibilities of Members of the Board of Directors and Managers

The powers of our Board of Directors are specified in the relevant clauses of our Articles of Association.

According to our Articles of Association, the Board of Directors is authorized to decide and execute decisions in all matters that do not fall under the exclusive authority of the General Assembly according to the Turkish Commercial Code and the relevant legislation.

The management and external representation of the Company are the Board of Directors' responsibility. All documents and contracts to be signed and/or executed by the company must be signed by person(s) authorized to represent and sign on behalf of the company and the signatures must be presented under the company stamp.

The Board of Directors may assign parts of the administrative and representative tasks to its members according to the relevant provisions of the Turkish Commercial Code, or may transfer these tasks to an executive committee it will establish among its members, or to executive member(s), to director(s) who are or are not shareholder(s) or to third parties with an internal directive.

The Members of the Board of Directors are jointly and severally responsible for the consequences of their willing or negligent non-execution of the duties imposed on them by the Articles of Association and the General Assembly.

### 18. Qualifications of Members of the Board of Directors

The qualifications required by the relevant legislation and those specified in the Corporate Governance Principles must be considered while electing members for the Board of Directors. The Board of Directors must consist of people having these qualifications in a manner that will provide the highest level of authority and efficiency.

In addition to these qualifications, the candidates for membership to the Board of Directors must be equipped to have basic knowledge about the operations about the company's field of activity and the relevant legal and judiciary regulations.

### 19. Working Principles of the Board of Directors

The Board of Directors convenes regularly on a monthly basis and if necessary holds special meetings

depending on emerging needs.

The first meeting of the Board of Directors takes place on the day of the appointment of the members to the Board by the General Assembly. The first meeting entails the selection of the Chairman of the Board and at least one Vice-Chairman as well as the decisions on the distribution of tasks.

The agenda for the meeting is set by the Chairman of the Board of Directors. The agenda is announced to the members prior to the meeting. If needed, before the meeting, members are provided with information and documents about the issues listed on the agenda. The agenda may be modified by a Board of Directors decree.

The call for the meetings are made via telephone or e-mail. The Board of Directors convenes upon the invitation of the Chairman of the Board of Directors or the invitation of the Vice Chairman in the Chairman's absence. Moreover, the Chairman or the Deputy Chairman may call for a meeting of the Board of Directors upon the written request by any Member of the Board. The provisions of Article 390, paragraph 4 of Turkish Commercial Code are reserved.

The Board of Directors may convene if 2/3 of its members are present and may decide with 2/3 majority vote of the number of members. Every member has the right to one vote in the Board of Directors. Our members do not have weighed votes and veto rights. In case the votes are equal about a Board of Directors decision, the matter is postponed until the next meeting. If the votes are also equal in the next meeting, the proposal is deemed to be rejected.

In order to appropriately maintain the documents about Board of Directors meetings, a secretariat is established under the Chairman of the Board of Directors to serve all the members of the Board.

Our Board of Directors convened at least once a month during 2014, and issued 59 decrees during the year. No member of the Board of Directors voted against any of the Board of Directors decisions. The majority of the members of the Board of Directors attended the aforementioned meetings.

### **20. Dealing with the Company and Non-competition**

The prohibition to deal or compete with the company for the Members of the Board of Directors is evaluated by our General Assembly during Ordinary General Assembly Meetings according to Articles 395 and 396 of the Turkish Commercial Code, and the necessary powers and permissions are granted for the period.

### **21. Number, Structure and Independence of Committees Established under the Board of Directors**

There are 3 committees (The Audit and Risk Management Committee, Corporate Governance Committee and the Ethics Committee) established under the authority of the Board of Directors to ensure the effective execution of its duties. These committees function according to the working principles defined by the Board.



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The Committee chairs are elected from among the independent members of the Board of Directors. The decisions made as a consequence of the independent studies of our Committees are submitted to the Board of Directors and the final decision is made by the Board of Directors.

The areas of activity of the committees, their charters and members are determined by the Board of Directors. Chief Executive Officer and the General Manager cannot be assigned to committees. All resources and support that are necessary for the Committees to perform their tasks provided by the Board of Directors. Committees may invite and take the opinions of the person(s) who may be deemed necessary. The Committees document all their work and maintain records, and submit their minutiae to the Board of Directors.

The Committees convene at times as it deems necessary to efficiently fulfill their responsibilities and as specified in their charter. They submit the reports containing information about their activities and their meeting results to the Board of Directors. The efficiency of the committees is evaluated by the Board of Directors.

### **Audit and Risk Management Committee:**

Concerning audits, the committee shall,

Audit the transparency of annual financial statements and other financial information and their compliance with the legislation and international accounting standards. Select independent audit firm, prepare audit contracts and thus initiate independent audit process and oversee the activities of the independent audit firm. Review the activities of internal audit function, its organizational structure and quality. Make recommendations and offer evaluations to the Board of Directors. These evaluations include matters such as the responsibilities of the company's internal audit function, budget of the Audit Department and its staffing. Approve the annual audit plan and all major changes to the plan. Establish and oversee methods and procedures for the receipt, retention and treatment of complaints received by the company on accounting, internal control systems and independent auditing matters, as well as for confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or independent auditing matters

Concerning Risk Management; the committee shall,

Conduct studies on the early detection of strategic, operational, financial, legal and other risks that may endanger the existence, the development and sustainability of the company, on the measures to be taken against the identified risks and on risk management. Conduct studies to identify the risk map of the company in accordance with the opinions of the board of directors and review the studies as and when appropriate. Set Risk Management Policies and methods and oversee their implementation.

Have the authority to request reports, information or opinion from related departments in order to ensure the efficient implementation of risk monitoring function.

# SÜTAŞ INC.

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## Corporate Governance Compliance Report

Risk Management Systems are reviewed at least once a year.

The Audit and Risk Committee consists of 3 members, the Committee Chairman is elected from among the independent members of the Board of Directors. The committee meets one week before the meetings of the Board of Directors, not less than 4 times a year. At least one Committee member must have a minimum of 10 years of experience in audit /accounting and finance.

Members of the Audit and Risk Management Committee are as follows:

<b>Name Last Name</b>	<b>Position in the Committee</b>	<b>Position in the Board Of Directors</b>
İlhan İL	Chairman	Independent Member
Aynur Duygu YILMAZ	Member	Member
Yaşar ULUKAYA	Member	Member

### **Corporate Governance Committee:**

Oversees the implementation of Corporate Governance Principles, identify conflicts of interest that may occur for not complying with the principles in full, and make recommendations to the Board of Directors on the areas for improvement. Reviews the "Corporate Governance Compliance Report" to be disclosed to the public and evaluates the accuracy and consistency of the information contained therein against the information that the Committee possesses.

Ensure the development, adoption and implementation of Corporate Governance Principles within the Company, examines the areas that they cannot be implemented and makes recommendations to the Board of Directors in order to improve the level of compliance.

Follows the Corporate Governance Principles around the world and makes recommendations to the Board of Directors to implement the necessary issues within the Company.

In addition, The Corporate Governance Committee perform the functions of the "Nomination Committee" and the "Compensation Committee".

The Corporate Governance Committee consists of 3 members and convenes not less than 4 times a year.

Information about the Corporate Governance Committee of our Company is as follows:

## Corporate Governance Compliance Report

Name Last Name	Position in the Committee	Position in the Board Of Directors
H. Saffeddin KARPAT	Chairman	Independent Member
Aynur Duygu YILMAZ	Member	Member
Aykut BİLBAY	Member	Member

### Ethics Committee:

Declares the code of ethics and the administration of the code to the employees and offers regular trainings. Ensures the adoption and development of a business ethics culture.

Updates the code of ethics and the Committee's implementation processes according to changing circumstances, and opinions and suggestions submitted to the Committee, and submits the updates for approval to the Board of Directors.

The Ethics Committee, unless it convenes with a special agenda, convenes at least once a month to examine applications submitted to the Committee about code violations, and to decide whether an investigation will be conducted and whether an issue exists that should be referred to the Disciplinary Committee.

The Ethics Committee is responsible for conducting the necessary inquiries and investigations about claims of code violations, either ex officio or based on filed complaints. The decision about an application is declared with reference to the relevant clause of the code. The committee decisions are immediately put in action.

The committee members act independently of the organizational hierarchy while performing their duties.

The Ethics Committee may refer to the opinions of experts on the subject matter and may invite them to meetings in an advisory capacity if need be.

Information about the Ethics Committee of our Company is as follows:

Name Last Name	Position in the Committee	Position in the Board Of Directors
H. Saffeddin Karpat	Chairman	Independent Member
Mürvet Tezel	Member	Member
Aynur Duygu Yılmaz	Member	Member

### 22. Risk Management and Internal Audit Mechanism

The risk management strategy of the company is based on the development and monitoring of practices for the identification and minimization of existing and probable risks.

The Audit and Risk Management Committee works on risk management as well as on measures to be taken against risks that may endanger the existence, the development and sustainability of the company.

Existing and probable risks that the Company is exposed to are classified and managed as follows:

- All production activities are managed and audited in accordance with food safety management system and foster legal compliance. Operational processes have become more effective, following the integration of ISO 9001:2008 (Quality Management System), FSSC 22000 (Food Safety Management System), ISO 50001 (Energy Management System) and ISO 14001 Environmental Management System with our existing system. All management systems are internally and externally audited on a regular basis.
- Capital/liability relation, foreign exchange rate risk and other financial risk factors which may have a direct impact on the Company's financial situation are controlled by business departments in weekly/monthly periods.
- "Guarantee - Risk Management System" is used to monitor customer risks. Thus, if our customers exceed their purchase limits, our systems deny output of goods.
- SAP ERP system is an important technologic tool that allows the company to minimize existing risks and support decision support processes. Through this tool, human errors are eliminated, operational results are instantly monitored and the efficiency of internal control systems is improved.
- Natural risk; Company assets are insured against fire, earthquake and other similar natural disasters. These operations are executed by enlisting the services of competent insurance brokers and in compliance with the true values of the assets.

The activities such as the establishment and implementation of the systems necessary for financial planning, risk management, internal audit and accounting, the compatibility and proficiency of the systems, the determination of authorizations and liabilities within the company are conducted via the Audit and Risk Management Committee established by the Board of Directors.

Audit Committee, while fulfilling its duty in this respect, utilizes the data of the Audit Department and the institutions which accomplish the approval process within the scope of independent and sworn financial advisor.

The Audit Department; within the scope of its risk- based annual audit plan, reviews regularly the risk management and internal control system of the company so to reach the below listed purposes and reports directly to the Audit Committee:

- Accuracy and reliability of financial and operational information,
- Effectiveness and efficiency of operations
- Safeguarding of of company assets
- Ensuring compliance with applicable laws, regulations and contracts.

Audit function checks the effectiveness of the internal control systems and makes recommendations for the improvement of existing systems and for the establishment of new systems where needed.

### **23. Mission, Vision and Strategic Goals of the Company**

The strategic goals of our company are by the company executives considering the economic parameters, market and competition conditions, short- and long-term goals of our company and submitted to the Board of Directors for approval.

This strategy and goals are reviewed and evaluated by our Board of Directors.

The evaluation is based on the previously approved annual budget and its level of realization, the sector of the company and its position in the sector, its performance rate for the period, financial situation of the company and previous performance rates.

SÜTAŞ INC conducts all of its activities with its mission “to spread with passion the goodness and abundance of milk by offering natural and delicious dairy products to improve the quality of life, health and bring happiness.”

The company's vision is “To be the most loved brand, the most trusted corporation and the leading company”.

SÜTAŞ INC has been the leading brand in the milk and dairy products industry in Turkey for the last 10 years, and it aims to multiply its business volume by 4 in the next 10 years and become one of the top 25 dairy companies in the world by 2025. Its local and foreign investments are planned in this direction.

SÜTAŞ INC mission and vision are declared to the public at the company’s corporate web site [www.sutas.com.tr](http://www.sutas.com.tr).

### **24. Financial Rights of the Board of Directors**

The members of the Board of Directors are paid monthly a sum that is determined by the General Assembly.

The members of the Board of Directors do not have a loan or credit relationship with the company.