
Corporate Governance Compliance Statement



Borsa İstanbul A.Ş. (Borsa İstanbul, the Company), shows due diligence in complying with the Capital Markets Board Corporate Governance Principles (Principles) announced by the Capital Markets Board of Turkey in accordance with Article 73 of the Capital Markets Law No. 6362. Within this framework, and with the aim to go public by the end of 2018, Borsa İstanbul's management has based its basic management principles—which define its relations with the shareholders, employees, and other related parties—on equity, transparency, accountability, and responsibility principles. In fact, Borsa İstanbul's current Articles of Association envisage that the Corporate Governance Principles issued by the Capital Markets Board of Turkey will be observed.

Borsa İstanbul A.Ş., the main actor of Istanbul International Financial Center Project, is aware of the importance of corporate governance, and hence, is devoted to implementing specific rules and following international best practice.

The Corporate Governance Committee, Audit Committee, and Early Risk Assessment Committee continued to work in accordance with the relevant Directives during 2016. Furthermore, during the year, the information under Corporate Governance and Investors on Borsa İstanbul website was kept updated

in accordance with the Information Policy and arrangements were made when necessary.

1. SHAREHOLDERS

1.1 Investor Relations Service

Despite not being a publicly traded company, Borsa İstanbul created an Investor Relations Unit in June 2014. Investor Relations team reports to Executive Vice President/CFO, Şenol Duman, PhD., and inquiries to the team can be made to investorrelations@borsaistanbul.com and yatirimciiliskileri@borsaistanbul.com.

The procedures prior to, during, and following the Ordinary General Assembly meeting held on April 1, 2016 and the Extraordinary General Assembly meeting held on October 30, 2016, were carried out by the Investor Relations Unit.

Questions addressed to the Investor Relations team were replied in accordance with the Company's information policy. Borsa İstanbul carried out the related procedures and correspondence with the Capital Markets Board and the shareholders regarding mergers of investment institutions that are Borsa İstanbul's shareholders and requests regarding the transfer of Borsa İstanbul

A.Ş. shares between these investment institutions.

Information and disclosures that may influence the use of the rights by the shareholders are displayed on the Company's website.

1.2 Exercising of Right to Information by Shareholders

No discrimination is applied among shareholders in terms of their right to receive and analyze information, with the exception of information qualified as a trade secret; all information regarding the company operations and procedures is disclosed to shareholders. Questions sent by shareholders to Borsa İstanbul via letter, telephone, e-mail, and other similar channels are answered by authorized staff rapidly and efficiently. The company website offers comprehensive historic and current information and statistics for shareholders.

Company operations are periodically audited by the independent auditor assigned by the Board as approved by General Assembly. The 2016 operations of Borsa İstanbul were independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and this report is available on the website.

The Company's Articles of Association do not envisage the right to request a special auditor, and no demand to that effect came from shareholders during 2016.

1.3 General Assembly Meetings

Arrangements regarding Borsa İstanbul General Assembly meetings are determined by Borsa İstanbul A.Ş. Articles of Association and Internal Regulation Regarding General Assembly Rules and Principles, which are provided in the Company website. According to the provisions of Article 22 of the Company's Articles of Association and Article 414 of the Turkish Commercial Code, in order to inform shareholders beforehand, General Assembly meetings will be announced

- in the Turkish Trade Registry,
- on the Company's website,
- in at least one daily newspaper published in the city where the company is headquartered,

- on the www.kap.org.tr website
- for shareholders that have electronic signature, on the Electronic General Assembly System of Merkezi Kayıt Kuruluşu (e-GKS)

at least three weeks before the General Assembly meeting, excluding the date of the announcement and date of the meeting.

General Assembly meetings are realized in line with the principles of Turkish Commercial Code, Capital Markets Legislation, and Corporate Governance

principles, in a way to ensure sufficient provision of information and high participation by the shareholders, and making use of the Electronic General Assembly facility offered by Merkezi Kayıt Kuruluşu. An Extraordinary General Assembly, on the other hand, convenes as required by the Company operations, upon request of the Board, of minority shareholders in cases outlined in the Turkish Commercial Code, or of Capital Markets Board. In this case, the Capital Markets Board is also entitled to determine the agenda if necessary.

Borsa İstanbul A.Ş.'s 2016 Ordinary General Assembly meeting was held at Borsa İstanbul's İstinye campus on April 1, 2016.

The Ordinary General Assembly meeting was announced

- in the Turkish Trade Registry Gazette No. 9023 dated March 2, 2016
- on the company website
- in the newspaper Dünya on March 9, 2016
- on www.kap.org.tr,
- on Electronic General Assembly Meeting System managed by Merkezi Kayıt Kuruluşu.

The agenda, notice, and related documents were uploaded on Company's website on March 10, 2016 and made available at the Company's headquarters.

As part of the General Assembly agenda, the annual report, financial statements,

corporate governance compliance report, dividend distribution proposal, independent audit reports, informative document on the General Assembly agenda items and other supporting documents for the agenda items, the latest version of the Articles of Association, were on hand at Borsa İstanbul's headquarters to ensure access to as many shareholders as possible, and were published on the Company's website.

At the said meeting, shares representing a nominal value of 411,870,895.00 TL (97%) were represented out of the nominal value of 422,599,149.00 TL, which will be considered in the calculation of quorum and resolution quorum according to Article 389 of the Turkish Commercial Code, out of a total nominal value of 423,234,000.00 TL.

In accordance with the Turkish Commercial Code No. 6102, Capital Markets Law No. 6362, and the relevant legislation, shareholders were allowed to vote electronically. No shares were represented electronically.

During the Ordinary General Assembly meeting, shareholders used their right to ask questions, which were answered during the meeting. Furthermore, shareholders' proposals regarding the meeting agenda were discussed and finalized by the General Assembly. After the discussion on the item "election of Board members," the Board members

nominated by Class A shareholders were replaced by new members.

The obligatory announcements were made regarding the resolutions of the Ordinary General Assembly dated April 1, 2016 in the Turkish Trade Registry Gazette No. 9055 dated April 15, 2016, and were also disclosed on the Company website.

Following the General Assembly meeting, meeting minutes and agenda items, were presented to the investors on the Company website. The required documents were uploaded on the Borsa İstanbul's Information Society Services (Bilgi Toplumu Hizmetleri) page as stipulated by the Turkish Commercial Code.

An Extraordinary General Assembly meeting was held at Borsa İstanbul's İstinye campus on October 30, 2016. The Extraordinary General Assembly meeting was announced

- in the Turkish Trade Registry Gazette No. 9170 dated October 6, 2016,
- in the newspaper Dünya on October 7, 2016,
- on www.kap.org.tr
- on the Electronic General Assembly Meeting System managed by Merkezi Kayıt Kuruluşu.

The agenda, announcement, and the related documents for the Extraordinary General Assembly were uploaded on Company's website on October 7, 2016

and made available at the Company's headquarters.

The information documents on the General Assembly agenda items, other documents that form the basis of the agenda items, and the latest version of the Articles of Association, were open to examination by shareholders at the Company headquarters and website from the date of the invitation for the Extraordinary General Assembly meeting.

At this meeting, shares representing a nominal value of 410,040,420.00 TL (97%) of the nominal value of 422,599,149.00 TL, which will be considered in the calculation of quorum and resolution quorum according to Article 389 of the Turkish Commercial Code, out of the total nominal value of 423,234,000.00 TL were represented. In accordance with the Turkish Commercial Code No. 6102, Capital Markets Law No. 6362, and the relevant legislation, shareholders were allowed to vote electronically. No shares were represented electronically.

During the Extraordinary General Assembly meeting, shareholders used their right to ask questions, which were answered during the meeting. After discussion of the item "election of Board members," a Board member was replaced by a new member.

The requirements regarding the announcement of the Extraordinary

General Assembly meeting dated October 30, 2016 were observed in the Turkish Trade Registry Gazette No. 9202 dated November 21, 2016 and were also announced on the Company website.

Following the Extraordinary General Assembly meeting, meeting minutes and agenda items were presented to investors for evaluation on the Company website. Following the Extraordinary General Assembly meeting, the required documents were uploaded on the Borsa İstanbul's Information Society Services (Bilgi Toplumu Hizmetleri) page as stipulated by the Turkish Commercial Code.

1.4 Voting Rights and Minority Rights

At Borsa İstanbul, each share is entitled to one vote. Borsa İstanbul applies no practices that may impede the exercising of the voting rights and allows each shareholder to use their voting rights in the most facile manner. Shareholders that have voting rights may directly use such rights or they may appoint a deputy to use such rights in accordance with the arrangements of the Turkish Commercial Code and the Capital Markets Law. The Company Articles of Association envisage three groups of shareholders, namely, Class A, Class B, and Class C. Attendance in the relevant meeting and affirmative vote of at least one Board member representing Class A shareholders is sought for "proposing amendments on the Articles of Association." Apart from

this, Class A and Class C shareholders have the privileges to nominate individuals for election to the Board. No regulation impedes the use of voting rights before a certain holding period expires.

İstanbul Takas ve Saklama Bankası A.Ş. is one of the Borsa İstanbul A.Ş. shareholders. However, the latter is the biggest shareholder of the former. Consequently, the Bank does not attend Borsa İstanbul General Assembly meetings. This was the case for both 2016 General Assemblies.

As Borsa İstanbul is not a publicly held joint stock company, use of minority rights is subject to the provisions of the Turkish Commercial Code. Borsa İstanbul is not in a mutual affiliation relation with any company.

1.5 Rights to Dividends

According to Borsa İstanbul's Articles of Association, the net profit for a period is the balance after all costs are subtracted. Each year, 5% of annual profits are kept as legal reserves until such amount reaches 20% of the capital. Unless otherwise decided by the General Assembly, 5% of the balance is distributed as dividends to the shareholders pro rata according their share in the company.

Furthermore, a maximum 5% of the balance may be distributed to the Chairman, Board members, and Company staff by a method to be determined by the General Assembly, provided that such payments

shall not exceed one-sixth of their annual gross income, including all payments. In addition, an amount to be decided by the General Assembly may be reserved to be distributed to the shareholders as a second dividend. The Board may, if deemed necessary, make proposals to the General Assembly for dividend distribution. In such a case, 10% of the amount to be distributed will be retained as general legal reserves and the balance of the net profit for the period will be retained as legal reserves.

The Company Articles of Association envisage no privileges for participation in the Company profits, with equal rights of dividends for each share.

The Ordinary General Assembly meeting held on April 1, 2016 decided to retain the dividends to strengthen the Company equity. This was announced on Company website.

1.6 Transfer of Shares

Borsa İstanbul Articles of Association make the following provisions regarding the restriction of share transfers:

a) Sales of public shares through public offering and other similar methods in accordance with the Capital Markets Law will be realized as per the procedures and principles to be determined by the Council of Ministers upon the proposal of the Minister to whom the Treasury Undersecretariat reports.

b) With the exception of those in accordance with paragraph 2 and sub-paragraphs (a), (b), and (c) of paragraph 6 of Article 138 of the Capital Markets Law, all transactions that lead to the direct or indirect transfer of control of the Company, even if no share transfer is executed, are subject to the approval of the Capital Markets Board. Share transfers will become valid only after being approved by the Capital Markets Board, decided upon by the Board, and registered in the share register. All transactions that lead to the direct or indirect transfer of shares without the approval of the Capital Markets Board or transfers that lack the relevant Board resolution or that are not registered in the share register are null and void.

c) In order to ensure that the existing shareholding structure is maintained, shares other than those that belong to Class A may be transferred to another shareholder within the same group only. These shares may be transferred to shareholders that belong to the other classes or third parties by the approval of the Capital Markets Board. Group shares that exclusively belong to the Turkish Treasury and provide representation rights in the management may not be transferred in any way whatsoever.

d) In the event that a person acquires shares representing 10% or more of the capital through direct or indirect ownership of the publicly offered shares,

or the shares owned by a shareholder directly or indirectly exceeds 10, 20, 33, or 50% of the capital through the acquisition of the shares offered to the public, or falls below such ratios as a result of share transfer, shareholders may use the related rights, with the exception of dividend rights, upon the approval of the Capital Markets Board only. The provisions of this sub-paragraph will also hold for cases where the above mentioned ratios are attained through the acquisition of the free-floating shares, including the shares acquired off-Exchange.

During 2016, three transfer of share were accomplished according to above mentioned process.

In line with the resolution of Board of Directors, an announcement was made on December 30, 2016 regarding share buy-back from Class C shareholders. Class C shareholders include intermediary institutions, jewelry companies, and banks. The process is planned to be accomplished after the Ordinary General Assembly. The investor relations team is in charge of the process.

An important development that changed the shareholder structure of Borsa İstanbul A.Ş. took place after the end of the accounting period. In accordance with the Decree of the Council of Ministers dated January 24, 2017 numbered 2017/9756 entered into force with the publication of the Official Gazette dated February 5, 2017

numbered 29970, shares owned by Turkish Treasury have been transferred to the Türkiye Wealth Fund.

2. DISCLOSURE AND TRANSPARENCY

2.1 Information Policy

Borsa İstanbul's Information Policy is in written form as per Corporate Governance Principles and provided on the Company's website.

2.2 Corporate Website and its Content

Borsa İstanbul has a website in Turkish www.borsaistanbul.com and in English <http://www.borsaistanbul.com/en/home-page>. Information subject to mandatory disclosure according to Corporate Governance Principles applicable to Borsa İstanbul has been disclosed on company website since November 2013 and is updated regularly.

The website offers the following information regarding Investor Relations:

- Reports
- Corporate Governance
- Relevant legislation
- General Assembly
- Initial Public Offering of Borsa İstanbul A.Ş.
- Contact information for Investor Relations

In addition to the www.borsaistanbul.com

website, another website dedicated to the Company's investment relations is planned to be launched before the IPO.

2.3 Annual Report

Borsa İstanbul's annual report is prepared in a way such to ensure that the public has access to complete and correct information on the Company activities, in accordance with the "Communiqué on Determining the Minimum Requirements of Annual Reports" published on Official Gazette of August 28, 2012 numbered 28395.

The annual report includes information on the Company's title, Board members for the related period, events that influence the Company's performance, Company's financing resources and risk management policies, information on the exchange business activities and operation of the markets, Corporate Governance Compliance Report, research and development activities, revisions made on the Articles of Association within the period, including the reasons thereof, the quality and activities of the Company's production and service units, the financial status of the Company, and other important items.

3. STAKEHOLDERS

3.1 Informing the Stakeholders

Borsa İstanbul takes due care to inform its stakeholders in accordance with its

Information Policy. Corporate Governance practices and ethical rules guarantee that stakeholders are informed correctly.

Borsa İstanbul Ethical Rules preclude Borsa İstanbul officials from applying any priority, partiality, or inequality in treating investors with real or legal personality, and are required to provide correct, reliable, and unbiased information to the media and public. The Chairman of the Board and the Executive Committee provides and discloses information through interviews.

The data and information offered by Borsa İstanbul are provided to investors through the following methods and instruments:

- Websites

www.borsaistanbul.com

www.bilincliyatirimci.org

www.listingistanbul.com

www.bistozelpazar.com

www.kap.org.tr

- Investor Counseling Center (serves investors in companies traded on Borsa İstanbul)

In addition, Borsa İstanbul's intranet, which is the internal website for Borsa İstanbul staff, is used actively. Corporate social media accounts (Facebook, LinkedIn, and Twitter accounts, and a YouTube channel), which were launched in 2013, are used on a regular basis for disclosing information.

In addition, regularly updated information on the website, detailed annual reports,

press bulletins, and other practices within the scope of Information Policy focused on transparency are intended for not shareholders only, but all stakeholders.

During 2016, the following stakeholders-related events have been held:

- A total of 17 events aimed at domestic and foreign potential issuers (companies) were attended by Borsa İstanbul personnel. Furthermore, 65 domestic and 41 foreign companies, for a total of 106 unlisted companies, were visited and offered information on capital markets issues, particularly public offerings. The demands and suggestions of these companies were passed on to the relevant units and institutions, including Ministry of Finance and Capital Markets Board of Turkey. New products and markets are presented to potential investors.
- Incentives/mechanisms/applications are needed on the basis of both issuers and investors in order to make IPOs attractive for companies. Within this scope, various tax incentives for public and publicly offered companies from the Ministry of Finance were requested, and the Capital Markets Board was asked to make legal arrangements in order to establish various mechanisms for expanding the capital market to the investor base.
- Three events aimed at investment institutions and other client groups were held. Under Key Customer Management, 13 visits to 10 companies were undertaken. Senior managers of Borsa İstanbul

attended some of those visits.

- Borsa İstanbul participated in one event related to the data center services and one event related to the index services. Furthermore, a total of 89 visits/meetings were realized with customers in all business areas.
- More than 1000 participants were provided information about the Private Market in 10 events in cooperation with TÜBİTAK (The Scientific and Technological Research Council of Turkey), angel investors' networks, universities, and Chambers of Commerce.

3.2 Stakeholders' Participation in the Management

The shareholder structure envisaged for Borsa İstanbul A.Ş. by sub-paragraphs (a) and (b), paragraph 6, Article 138 of the Capital Markets Law No. 6362 is basically aimed at shareholding by stakeholders, and thereby application of good governance principles by the Company management. Turkish capital markets stakeholders that have become shareholders of Borsa İstanbul A.Ş. through the shareholding structure established according to these provisions participate in the Company management by using the shareholding rights.

It is worth noting that Borsa İstanbul worked in close communication and interaction with Capital Markets Board of Turkey during 2016. In its decisions, Borsa İstanbul took into consideration

the opinions of Merkezi Kayıt Kuruluşu, İstanbul Takas ve Saklama Bankası, and Turkey Capital Markets Association. After meeting with market participants and exchange members, their opinions have been carefully considered. The above mentioned buy-back process was initiated due to complaints from exchange members. Thus, this response may serve as a good example for stakeholders' participation in the management. The requests and suggestions of the employees and workers' union representatives were also evaluated by the executives.

3.3 Human Resources Policy

Borsa İstanbul depends on its employees in order to realize improvements in its performance. Human resources policies and processes are designed so to attract capable staff to the Company and allow them to improve their skills.

The basic features of Borsa İstanbul Human Resources Policy defined and announced in 2013 are as follows:

- Borsa İstanbul recruitment procedures are regulated by internal legislation in accordance with the principle of offering equal opportunities to persons of equal qualifications. Recruitment of new graduates is realized through written exams and interviews to ensure objectivity. In the recruitment of experienced staff, on the other hand, independent appraisers

evaluate criteria that will contribute to efficiency, such as the candidate's capability of adaptation to the corporate culture and teamwork inclination in addition to professional skills.

- The most critical factor in planning employee's careers is their success. Nevertheless, the minimum experience requirement for each position is also observed in accordance with internal regulations.
- All rights awarded to the employees are clearly defined in the internal regulations. The rights envisaged by the legislation are accrued on each employee without any discrimination, and no further payments are made.
- Training sessions are organized on a regular basis or on an additional basis upon request of the executives. A secure working environment and conditions are provided for the employees, which are constantly improved.
- In order to inform Borsa İstanbul employees about important revision plans concerning personnel policies, at least one meeting is held annually with the participation of a C-Level Executive, and policies are designed in consideration of employees' opinions.
- In order to provide employees with the freedom to establish associations and efficient use of collective bargaining rights, as well as for efficient communication purposes, spaces on the intranet are allocated to both the association of employees and the workers' union.

Part of Borsa İstanbul employees are organized in the Tez-Koop İş workers' union. The Fourth Collective Agreement between Borsa İstanbul and the union ended on December 31, 2016. A new labor union, Bank, Finance and Insurance Companies' Workers Union (BASİSEN), which is active in finance and banking sectors, was authorized to represent Borsa İstanbul employees. Therefore, as of the end of 2016, negotiations for a new collective agreement are ongoing between Borsa İstanbul and BASİSEN representatives.

Borsa İstanbul attaches great significance to work security, in consideration of workers' health and security as well as its own business continuity. As envisaged by legislation, a certified labor security specialist and a certified doctor work on Borsa İstanbul's campuses in İstinye and Kuyumcukent. In line with regulations, training on workers' health and security in offices was provided to Borsa İstanbul employees in December 2016.

As envisaged by legislation, a Labour Health and Security Board consisting of the representatives of the employer, employees, and the security unit, as well as the labour security specialist and doctor, was established. The Labour Health and Security Board convenes quarterly and after making the necessary evaluations, ensures that necessary steps are taken. Within this framework, improvements were made in 2016.

It is worth noting that no complaints concerning discrimination were reported during 2016.

3.4 Ethical Rules and Social Responsibility

Borsa İstanbul Ethical Rules were prepared and disclosed in 2014. In light of recent developments, publication of a Regulation Regarding the Principles for Borsa İstanbul

Exchange Activities was required, and the Ethical Rules needed to be updated. This updating work is still in progress.

Borsa İstanbul's Corporate Social Responsibility Policy and information on its social responsibility efforts are available on its website. During 2016, Borsa İstanbul spent 2,051,660.19 TL on donations and support and 1,863,897.49 TL on sponsorships. In addition, a total of

Member	Group	Beginning of His/Her Term	Independence	Roles in Committee
Mr. Himmet KARADAĞ	A	Ordinary General Assembly dated April 1, 2016	Not independent	Chairman of Board, Chairman of IPO Committee
Mr. Osman SARAÇ	A	Ordinary General Assembly dated April 1, 2016	Not independent	Vice Chairman, CEO, IPO Committee member
Mr. Seyit Ahmet IŞKIN		Ordinary General Assembly dated April 1, 2016	Independent	
Mr. Yunus ARINCI		Extraordinary General Assembly dated October 30, 2016	Independent	Chairman of Early Risk Assessment Committee, Audit Committee member
Mr. Bilal TOPÇU		Ordinary General Assembly dated April 1, 2016	Independent	Chairman of Corporate Governance committee, Audit Committee member
Ms. Erişah ARICAN		Ordinary General Assembly dated April 1, 2016	Independent	Chairman of Audit Committee
Ms. Nicola Jane BEATTIE		Ordinary General Assembly dated April 1, 2016	Not independent	Member of Corporate Governance committee, Early Risk Assessment Committee member, IPO Committee member
Turkish Capital Markets Association, represented by Mr. İlhami KOÇ	C	Ordinary General Assembly dated March 31, 2014	Not independent	Corporate Governance committee member, IPO Committee member
Ms. Işınsu KESTELLİ	C	Ordinary General Assembly dated March 31, 2014	Not independent	Early Risk Assessment committee member, IPO Committee member
Mr. Murat TACİR	C	Ordinary General Assembly dated March 31, 2014	Not independent	Early Risk Assessment committee member, IPO Committee member

5,540,287.65 TL was paid to the Substantial Support for National Education Project in 2016, initiated by Borsa İstanbul (then İstanbul Menkul Kıymetler Borsası) in 1997.

Before going public, Borsa İstanbul is working on sustainability road map. In 2016, the road map was prepared in coordination with various departments and describes the steps to be taken in the near future. It was designed to elevate Borsa İstanbul A.Ş. to global standards.

Borsa İstanbul's İstinye campus was invaded by terrorists during the July 15 coup attempt. They were repelled by Reşitpaşa residents and police officers. During that night, a police officer and a local resident were killed by terrorists. Borsa İstanbul has been providing support to their families. In addition, it sponsored some of the events intended to support July 15 martyrs' families, including a football match on December 22, 2016.

4. BOARD of DIRECTORS

4.1 Structure and Election of the Board

Principles regarding the establishment and election of the Board are regulated by the Articles of Association of Borsa İstanbul. According to the modification to the Articles of Association voted at the Ordinary General Assembly meeting on March 31, 2014, and in line with the provisions of the Turkish Commercial Code, the Board will consist of ten

(10) members, with two (2) members elected from among the candidates nominated by Class A shareholders and three (3) members from among Class C shareholders, including Union of Chambers and Commodity Exchanges of Turkey, Turkish Capital Markets Association, and investment institutions. The term of office is three years and members can be re-elected.

According to the Company's Articles of Association, the term of incumbency, appointment procedures, remuneration, and number of independent Board members are subject to arrangements of the Capital Markets Board.

At the Ordinary General Assembly Meeting on April 1, 2016, the Board structure changed. Himmet Karadağ (Chairman), Osman Saraç, Seyit Ahmet Işkın, Melikşah Utku, Bilal Topçu, Erişah Arıcan, and Nicola Jane Beattie were elected as Board members. The Board then elected Osman Saraç as CEO.

At the Extraordinary General Assembly Meeting dated October 30, 2016, Yunus Arıncı was elected Board member to fill the vacant position.

Resumés of the Board of Director members and their positions are disclosed on website.

During the incumbency of the independent Board members, there were

no events to revoke their independence. Chairmen of Board committees were elected from among independent Board members.

4.2 Working Principles of the Board

According to Borsa İstanbul's Articles of Association, the Board convenes as frequently as necessary, but no less than once a month. The meetings are held at the Company headquarters or another venue that the Chairman may deem fit. Corporate Governance Committee members stated that technology can be used in order to allocate more time to strategic subjects during physical meetings. To this end, the committee

decided to authorize a feasibility study for an electronic document portal for the use of Board members. IT departments have already begun to work on this. As the first step of its technological development, e-signature tokens were provided to every Board member.

According to Article 1527 of Turkish Commercial Code and Article 14 of the Articles of Association, it is legally possible to have Board meetings in electronic format. In line with committee proposal, preparations to have electronic board meeting will continue in 2017. Those authorized to participate in the Company Board meetings may participate in these meetings electronically. In order to make

Committee	Members
Audit Committee	Eriřah ARICAN (Chair)
	Bilal TOPÇU
	Yunus ARINCI
Corporate Governance Committee	Bilal TOPÇU (Chair)
	Nicola Jane BEATTIE
	İlhami KOÇ
Early Risk Assessment Committee	Yunus ARINCI (Chair)
	Murat TACİR
	İřinsu KESTELLİ
IPO Committee	Nicola Jane BEATTIE
	Himmeř KARADAĐ (Chair)
	Osman SARAÇ
	İlhami KOÇ
	Murat TACİR
	Nicola Jane BEATTIE
	řenol DUMAN

this possible, all Board members were provided with e-signature tokens.

The quorum for a Board meeting is a majority of members and the Board takes decisions with affirmative votes from the majority of members present.

This rule holds for electronic voting as well. The Chairman, or in his absence, Deputy Chairman chairs Board meetings. Abstention is not allowed. Board members may not vote on behalf of each other, or by proxy. In the case of equal votes, the item will be left for discussion in the following meeting. If votes are still equal in the next meeting, the relevant proposal shall be deemed to be rejected. The rights of the Board members representing Class A privileged shares are explained in the Voting Rights and Minority Rights section hereof.

Unless any member requests that a meeting be held physically, Board resolutions may be taken by the written approval of or by secure electronic signature via the Electronic Meeting System with the majority of members by a proposal of one Board member, written in the form of a resolution text. Resolutions are valid only if written and signed.

Borsa İstanbul Board made resolutions 35 times in 2016; 16 of these were made without a physical meeting, whereas 19 were discussed in physical meetings.

Board meeting dates are determined and announced monthly and reasonably in advance. In line with the Corporate Governance Committee proposal, all board meetings until the end of 2017 have been set. The pre-set calendar provides Board members with stability and allows advance attendance arrangements to be made. As specified by Articles of Association, the Board agenda is set by Chairman on the basis of motions prepared by Borsa İstanbul departments.

Board operations and procedures are carried out by the Chief of Staff. Board resolutions are registered in the Board resolution book, including dissenting opinions, if any. Resolutions regarding the companies traded on Borsa İstanbul are disclosed through the Public Disclosure Platform if required by the capital markets regulations.

According to Borsa İstanbul's Articles of Association, approval of the General Assembly is required for the Board members to engage in commercial activities with the Company. Provisions of Article 395 of the Turkish Commercial Code are applicable in this regard. In accordance, at the General Assembly dated April 1, 2016, such approval was granted.

A "management liability insurance policy" is in place for Board members.

At the Board of Directors' meeting held

on September 29, 2016, an Executive Committee was established to ease the Board's workload and facilitate execution of procedures. The Committee is composed of the Chairman of the Board (who serves as committee Chairman), the CEO, and an Executive Vice President. Additions and modifications have been realized to the authorization table due to establishment of the committee.

4.3 Number and Structure of the Committees Established in the Board

Borsa İstanbul established the Audit, Corporate Governance, and Early Risk Assessment Committees in 2014. Directives concerning the operating principles and procedures of these Committees were prepared and disclosed through the Company website. As Nominating and Remuneration Committees have not yet been established due to the structure of the Board, the Corporate Governance Committee carries out the tasks of these Committees. The committees and their members are as follows:

Apart from Chairman of Board and CEO, there are eight Board members. Consequently, Board members may serve on more than one committee.

The Committees convene at the Company headquarters on a regular basis, and may hold extra meetings upon the invitation of the Committee Chairman, where

necessary. Committee members or the Board Chairman may invite the Committee to convene if needed. New articles can be added to the agenda subject to an affirmative vote of the majority of the members. Committees may, if they deem necessary, invite Company managers or specialists to solicit their opinions.

Corporate Governance Committee:

Without prejudice to the provisions of Article 138 of the Capital Markets Law, the purpose of the Corporate Governance Committee is to determine whether the corporate governance principles determined by the Capital Markets Board for exchanges according to Article 73 of the Capital Markets Law are observed, and in the case of failure to observe such principles, to determine the reasons therefore, any conflicts of interest arising from the failure to fully comply with such principles. Additional duties are to advise the Board with the intent to enhance corporate governance practices and to accomplish the duties of the Nominating Committee and Remuneration Committee as envisaged by corporate governance principles. In 2016, the Committee's procedures and principles were modified. As a result, Committee members are no longer obliged to participate in labor union negotiations.

Audit Committee:

The Audit Committee is intended to (1) provide assistance to the Board's

auditing of the quality and correctness of Borsa İstanbul's financial statements, (2) monitor the application and efficiency of the accounting system, (3) pre-approve the appointment of the independent auditor and the services to be provided by the same, (4) prepare and control the agreement to be signed between Borsa İstanbul and the independent auditor, and (5) monitor the Company's independent audit system, control, and internal audit mechanisms.

Early Risk Assessment Committee:

The Early Risk Assessment Committee is tasked to work on the early determination of the risks that may jeopardize the existence, development, and continuity of the Company, implementing preventive measures for the risks so determined, and managing risks that may arise.

4.4 Risk Management and Internal Control Mechanism

The Board operates in a transparent, accountable, fair, and responsible manner, creates risk management practices that will diminish the effects of the risks that Borsa İstanbul is prone to, and determines internal control policies for all the critical processes of the institution. Information on efficiency of risk management and internal control systems is provided in the annual report.

In line with the Borsa İstanbul A.Ş. Early Risk Assessment Committee

Responsibilities and Working Principles Directive, an Early Risk Assessment Committee was established. During 2016, the Committee convened on a regular basis. Prior to the Committee meetings, meetings with Borsa İstanbul departments, chaired by a Committee member C-Level Executive, were held. Departments' assessment of the realized or expected risks and measures taken to prevent or respond to such risks were discussed at these meetings, and reported to the Committee.

4.5 Company's Strategic Targets

As part of the studies to renew Borsa İstanbul's strategic plan covering rolling three-year periods on an annual basis, Borsa İstanbul completed the analysis studies for the new five-year period covering 2017-2019, defined new projects, and updated projects in progress. A workshop was organized to allow newly elected Board members to contribute to strategic planning efforts. Information on Borsa İstanbul's achievement of strategic targets, activities, and past year's performance is regularly reported to the Board by Strategic Planning and Investor Relations Service.

Borsa İstanbul continued to apply a performance-based budget in 2016. Thanks to this performance-based budget prepared in line with Borsa İstanbul's current structure, active participation of all departments in the budget process was ensured.

4.6 Financial Rights

As outlined in Borsa İstanbul's Remuneration Policy, financial benefits offered to the Chairman and members of the Board in the form of remuneration, fees, premiums, and bonus payments, facilities offered in kind and in cash, dividend payments, and other similar rights must be determined by the General Assembly on an annual basis. Furthermore, any travel, accommodation, and entertainment expenses and insurance and other similar guarantees are determined by the Board. The Board Chairman and Board members, their spouses, children, and persons they are responsible for benefit from health services under the same conditions as the employees.

Borsa İstanbul's Remuneration Policy is accessible on Company website. There were no transactions that may lead to conflicts of interest, such as directly or indirectly extending loans or credits to or offering guarantees for Board members or Company managers. There is no performance-based remuneration for independent Board members. The total remuneration provided in 2016 to Directors and senior managers of Borsa İstanbul Exchange Group was 7.16 million TL.