

*Corporate Governance
Principles Compliance Report*
2017

Corporate Governance Principles Compliance Report

Statement of Compliance with Corporate Governance Principles

Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention for implementing the Corporate Governance Principles published by the Capital Markets Board of Turkey ("CMB"). The Company updates its annual and interim activity reports and corporate website, and makes them available to its shareholders to meet the said principles. Shareholders have access to comprehensive information through the Türk Telekom investor relations website constantly kept up-to-date, as well as the possibility to direct their queries to the Investor Relations Department.

Türk Telekom received an overall Corporate Governance rating of 9.18 as a result of an independent assessment by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA A.Ş.) authorized by Capital Markets Board of Turkey to rate under Corporate Governance Principles of CMB.

Corporate Governance Rating was determined as a result of the examination made under four major categories (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted differently within the framework of the CMB's Corporate Governance principles. Breakdown of our corporate governance rating under major categories is as follows:

Sub Categories	Weight (%)	Rating
Shareholder	25	86.92
Public Disclosure & Transparency	25	97.66
Stakeholders	15	95.64
Board of Directors	35	89.32
Total	100	91.75

This rating of 9.18 assigned to Türk Telekom based on the Corporate Governance Principles is a clear sign that our Company is compliant with CMB Corporate Governance Principles to a large extent and has put the necessary policies and precautions into effect. Our Company's efforts for fully complying with the Corporate Governance Principles will continue.

Reasons for non-complied Corporate Governance Principles

Pursuant to the Communiqué No:II-17.1 and dated January 3, 2014 of the Capital Markets Board on the Corporate

Governance, and other regulations, non-complied issues with their grounds are as below, the principles that are not being complied have not resulted in any conflicts of interest among stakeholders to date.

There are no additional provisions in the Articles of Association, to appoint a special auditor and on the other minority rights.

It is considered that the Turkish Commercial Code and the Capital Markets Board regulations are sufficient concerning the appointment of a special auditor and the minority rights. Pursuant to the Turkish Commercial Code numbered 6102, which came into force on July 1, 2012, the shareholders' right to request a special audit is protected.

Presence of voting privileges

The privileges attached to the Golden Share held by the Republic of Turkey Undersecretariat of Treasury are statutory (4673 numbered law), and our company is not authorized to amend these privileges.

No articles in the Articles of Association regarding the procedures for invitation of the members of the board for a meeting by shareholders and stakeholders

Pursuant to the New Turkish Commercial Code 6102 which became effective in July 1, 2012, each board member may submit a written request to the chairman of the board to invite members of board of directors for a meeting.

There is no other way of invitation of the board members for a meeting.

Mechanisms and models to encourage participation of the stakeholders in the management of the company are not regulated by the Articles of Association

Models for the Company employees' participation in the management have not been included in the Articles of Association however such models have been developed and put into practice within the scope of the internal directives of the company. Models are developed for the Company employees' participation in the management such as Occupational Health and Safety and Disciplinary Boards, Inventor Idea System.

Resolution of disputes between stakeholders

Dispute resolution between stakeholders (regulatory authorities and public authorities) is an ongoing process.

Shareholders

Investor Relations Unit

At Türk Telekom, an Investor Relations Department (“the Department”) was formed which reports directly to the CEO with respect to management of relationships with existing and potential shareholders, effectively responding to the queries by investors and analysts, and carrying out the activities targeted at increasing the Company’s share value. Execution of the responsibility arising from capital markets legislation and coordination of corporate governance practices is supervised by the Investor Relations Director Sabriye Gözde Çullas who holds Capital Market Activities Advanced Level and Corporate Governance Rating licenses and is also responsible from the management of investor relations activities.

Primary activities handled by the Department are as follows:

- Including all kinds of cases related to Corporate Governance and Public Disclosure, performing the requirements of the Capital Market Regulations, and handling necessary internal and external disclosures and monitoring related processes
- Introducing and presenting the Türk Telekom Group to domestic and foreign individual and corporate investors,
- Keeping existing and potential investors regularly informed on the Company’s activities, financial standing and strategies in a timely, accurate and complete manner,
- To ensure keeping of reings related to correspondences between investors and the Company and other information and documents healthy, reliable and up-to-date
- Responding written information requests of shareholders related to the Company
- Regarding the General Assembly Meeting, preparing documents required for submission for shareholders’ review and taking precautions to ensure organization of General Assembly Meeting in accordance with related regulation, articles of association and other regulations within the corporation
- Responding to the information requests by analysts researching about the Company; ensuring the best introduction of the Company and ensuring that reports for investors are prepared in an accurate and complete fashion,
- Sharing the interim and year-end statements, investor presentations, press releases and annual and interim activity reports regarding financial and operational results with investors and the press; updating the investor relations website regularly to ensure that shareholders have access to accurate and complete information,
- Keeping investors regularly informed on Türk Telekom and the Turkish Capital Markets by participating in conferences and investor meetings,
- Monitoring public disclosures made pursuant to the Company’s disclosure policy and applicable legislation.
- Stock related information sharing within the Company by monitoring the composition of domestic/foreign investors and significant changes in trade volume.

Contact information for employees working in the Investor Relations Department is as follows:

Full Name	Title
Sabriye Gözde Çullas	Director
Özge Kelek	Manager
Eren Öner	Manager
Şule Gençtürk	Assistant Manager
Nergis Gündoğdu	Assistant Manager
Özge Altay	Assistant Associate
Phone Number:	+ 90 0212 309 96 30
E-mail address:	investorrelations@turktelekom.com.tr

Please contact Corporate Governance and Compliance Manager Eren Öner for questions related with dividends, General Assembly and transfer of shares.

The Department received over 1,000 information requests by phone and email during 2017, all of which were answered.

In 2017, the Investor Relations Department attended 20 equity and bond investor conferences at various locations, particularly in New York and London; the Department met with 272 investors at these events. Additionally, during the year, meetings were held with 42 equity and bond investors during roadshows at various locations across Europe, the USA, the UK and Asia. Türk Telekom Investor Relations expended great efforts to provide complete responses to all information requests received, and met with almost 400 equity and bond investors in total throughout 2017.

Shareholders’ Exercise of their Right to Obtain Information

Within the frame of the Turkish Commercial Code No. 6102, queries other than those relating to trade secrets and undisclosed information, received from shareholders and analysts by the Investor Relations Department by

letter, phone, email and other means are answered in the fastest and most effective way possible upon contacting the relevant person with the highest authority on the related matter. Over 1000 information requests received by Türk Telekom in the relevant period were answered. Furthermore, current and retrospective information and developments relating to Türk Telekom that are of interest to shareholders are regularly communicated to the concerned parties by the investor relations website both in Turkish and English languages. They are also regularly communicated to those registered to our database via emails.

In addition to the foregoing, within the context of shareholders' exercise of their right to obtain information, data and information are provided on the investor relations website so as to ensure rapid and easy access to information about Türk Telekom. A large portion of this information is provided on the website both in Turkish and English languages. The website covering the related documents accessible at www.ttinvestorrelations.com is periodically updated.

Further details are presented under the heading "Corporate Investor Relations Website and its Content" below.

Company activities are periodically audited by independent auditors and statutory auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent audit services for 2017 activities were provided by KPMG, which performs said services under the legal entity of Akis Bağımsız Denetim ve SMMM A.Ş.

There is no article related to the appointment of a special auditor in the Articles of Association. Shareholders did not request the appointment of a special auditor in 2017 and no special audit was conducted. Being a telecommunications company, activities of Our Company is subject to the audit and enquiry of Information and Communications Technologies Authority, Capital Markets Board of Turkey and Competition Authority. The results of enquiries and audits are disclosed to the public with in the context of disclosure of material events regulated by the Communiqué on the Principles Regarding The Public Disclosure Of Material Events.

Minority shareholders may request the appointment of a special auditor according to the 438th and 439th articles of the New Turkish Commercial Code 6102.

General Assembly Meetings

Article 19 of the Articles of Association reads as follows: "The General Assembly shall be the main decision body of the Company possessing every kind of authority in relation to the business of the Company provided by law". Article 21 of the Articles of Association lists the "Material Decisions to be adopted by the General Assembly" as follows:

- a) the presentation of any petition for dissolution;
- b) any change to Articles of Association;
- c) any change to the corporate name of the Company;
- d) any change to the accounting reference date or accounting policies except as required by law;
- e) any change in the share capital or the creation, allotment or issue of any shares or of any other security or the grant of any option rights or rights to subscribe to the capital or to convert any instrument into such shares or securities other than bonus shares;
- f) any reduction of capital or variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition by the Company of any shares or other securities of that company;
- g) any merger with or material acquisition of any other company;
- h) the cessation of any major Business operation;
- i) any material change to the nature of its Business;
- j) the payment or declaration by the Company of any dividend or distribution of any other kind relating to the shares other than in accordance with Article 30;
- k) decisions on any of the matters referred to in Article 12 (a) to (f) above to the extent such matters have not been approved in accordance with Article 12:
 - the entry into of any contract or commitment not provided for in the Budget under which the Group Company may incur costs (per transaction) of more than USD 50 million;
 - the acquisition of any assets or property (other than in the ordinary course of business) at a total cost (per transaction) of more than USD 50 million;
 - the sale or disposition of any fixed assets for a total price per transaction of more than USD 10 million;
 - the borrowing of amounts by a Group Company which when aggregated with all other borrowings of that Group Company would exceed USD 150 million except for the loans obtained from banks in the ordinary course of business;
 - the entry into of any agreement (other than any management agreement referred to in Article 12(g) below) between a Group Company and a Shareholder (other than the holder of the Group B Shares) or its Associates which (x) is not on arm's length terms or (y) involves the transfer of monies or goods and services of a value greater than USD 30 million;
 - the appointment of any representative to act for the Company at any general assembly meeting of any Group Company (other than the Company and AVEA);
 - the entry into of any management agreement between a Group Company on the one part and a Shareholder, or any Associated Companies of a Shareholder or any person that entered into a management agreement/management consultancy agreement with the holder of the Group A Shares or any of its Associated Companies in connection with the tender process for the block sale on the other part. However, this Article shall not prevent the Company from entering into employment or consultancy agreements with individuals

Arrangements regarding our company's General Assembly Meetings are in the Türk Telekomünikasyon A.Ş.'s Articles of Association which is public and can be found on the company's Investor Relations website. Beneficiaries who have right to join the general assembly meetings pursuant to article 18 are able to join the meeting via electronic general assembly meeting system in accordance with article 1527 of Turkish Commercial Code.

2017 General Assembly Meeting

On 21 June 2017, at Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı, 06103 Aydınlıkevler, Ankara, Ordinary General Assembly convened without any press or stakeholder participation, where 96.00% of the Company shares were represented. During this meeting no questions were raised by shareholders attending via electric platform or individually. Minutes of the Meeting is accessible at the <http://www.ttinvestorrelations.com/corporate-governance/general-assembly-meeting.aspx>. No proposal for the agenda items were given by shareholders during the meeting.

Particulars related to the said Ordinary General Assembly Meeting dated 21 June 2017 were published on Turkish Trade Registry Gazette (TTRG) dated 30 June 2017. In addition, the relevant Regulatory Disclosures of Material Events made by our Company was also published on the Public Disclosure Platform as of meeting dates.

The rules governing the Company's General Assembly meetings are covered in Türk Telekomünikasyon A.Ş. Articles of Association which is publicly disclosed and posted on the investor relations website.

According to Article 31 thereof, General Assembly meetings are announced at least 21 days in advance of the meeting date, excluding the dates of announcement and meeting, in the Turkish Trade Registry Gazette (TTRG) and two national newspapers in accordance with Article 414 of the Turkish Commercial Code and so as to inform the shareholders in advance of the General Assembly meetings. Information on General Assembly meetings, their agendas, invitation letters and sample proxy forms are also posted on the investor relations website.

The Company's Class A shares held by Ojer Telekomünikasyon A.Ş. and Class C shares held by the Undersecretariat of Treasury are registered, whereas the remaining shares are bearer shares. Shareholders who wished to exercise their rights arising from shareholding, fulfilled the necessary procedures for participation in General Assembly meetings pursuant to applicable legislation and attended to the General Assembly Meeting.

The announcement and explanations, which our company is required to make as per corporate governance principles, Information Set and invitation to the General Assembly Meeting and Minutes of the Meeting are made available for uninterrupted access to our shareholders at www.ttinvestorrelations.com.

Any transaction—that requires positive votes of majority of the independent board members in order to be resolved by Board of Directors and left to the discretion of General Assembly due to the negative votes of independent board members—did not occur.

In General Assembly Meeting, shareholders were informed about the donations including education, health, sports, culture, arts and humanitarian aid made by Our Company to the associations and charitable institutions which were worth of TL 17,750,145 for the year 2016. Total donations including education, health, sports, culture, arts and humanitarian aid made in 2017 amounts to TL 16,667,606,78. As per the donation policy total donations in a fiscal year cannot exceed TL 40 million.

Within the knowledge of our company, shareholders that hold management control, board members, insiders with administrative responsibilities and spouses and up to second degree relatives by blood or marriage did not make any transaction that will be able to cause a conflict of interest between the Company and its subsidiaries; on behalf of themselves or someone else, did not make any business transaction included in the operation of the Company and its subsidiaries; or did not involve in another company that engages with the same kind of business transaction with the role of unlimited partner. All the General Assembly resolutions were applied in 2017.

Voting and Minority Rights

All Shares of Türk Telekom can be transferred except for one privileged (golden) share of Group C. For the purpose of protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the board of directors or the General Assembly. Otherwise, such transactions shall be deemed invalid.

- Any proposed amendments to the Articles of Association;
- The transfer of any registered Shares in the Company which would result in a change in the management control of the Company;
- The registration of any transfer of registered shares in the Company's shareholders' ledger

Pursuant to the Articles of Association, the holder of the C Group Privileged Share appoints one member representing the Privileged Share. The C Group Privileged Share owner cannot participate in capital increases.

At the Ordinary General Assembly Meeting held on 21 June 2017, Fuat Oktay with real person board member title was appointed as the Board member representing the Class C golden share as per the Independent Board Resolution no: 37 on July 15, 2016.

The Company's Articles of Association contain the provision that minority rights are to be exercised by shareholders representing at least 5% of the paid-in capital. However, minority shareholders are not represented on the Board of Directors.

There is no reciprocal shareholding interests in the Company's share capital.

Dividend Rights

The Articles of Association grant no privileges regarding participation in the Company's profit. Each share is entitled to equal profit share; however, holder of the Class C share does not receive any share from the profit. Türk Telekom dividends are paid within the legally prescribed periods of time by applicable legislation.

Our Company adopts a policy to distribute the maximum amount of distributable profit in accordance with Articles 28, 29 and 30 of our Company's Articles of Association. Dividend Distribution policy was approved by shareholders' in 2013 Ordinary General Assembly Meeting convened on May 27, 2014. On the other hand, Board of Directors considers the short term financial liabilities of group companies, and conditions of those contracts signed with creditors in determining the Company's dividend proposal. Due to the loss after tax recognized at 2016 consolidated financial statements, board proposal of not distributing dividend was accepted by General Assembly and no dividend share was distributed.

As stated in the Company's Articles of Association, the dates and the manner of distribution of the annual profit to the shareholders are decided by the General Assembly upon proposal by the Board of Directors, in accordance with the provisions of the Capital Market Law and applicable legislation.

Dividend Distribution Policy is stated above and disclosed to the public via investor relations website (www.ttinvestorrelations.com).

Company did not buy back its shares in 2017.

Transfer of Shares

The provisions of the Company's Articles of Association restricting transfer of shares are as follows:

Subject to Article 6/A of the Company's Articles of Association, all shares of Türk Telekom can be transferred except the C Group Privileged Share. For the purpose of

protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the Board of Directors or the General Assembly. Otherwise, such transactions shall be deemed invalid:

- a) Any proposed amendments to the Articles of Association;
- b) The transfer of any registered shares in the Company which would result in a change in the management control of the Company;
- c) The registration of any transfer of registered shares in the Company's shareholders' ledger.

The transfer of shares are restricted until the expiration of the Strategic Commitment Period of November 14, 2008 by Article 6.A.2 of the Articles of Association which is as follows: "At any time after the later of the expiry of the Strategic Commitment Period and the date on which the holder of the Group A Shares has paid in full for all of its Shares in the Company, the holder of the Group A Shares may transfer some or all of its Shares to a third party, subject always to the veto rights of the holder of the C Group Privileged Share." After the end of the abovementioned restriction period, the transfer of the Company's Group A shares may always be the subject of the veto rights of the holder of the C Group Privileged Share. The Strategic Commitment Period ended on November 14, 2008 and the holder of Group A shares paid the amount in full for all of its shares in the Company. Therefore, the Company's Group A shares may be transferred by the approval of the holder of the C Group Privileged Share.

The Group A Shareholder may pledge, mortgage or charge such of its shares as shall from time to time not be subject to the Share Pledge to a financial institution for the purpose of security for borrowings incurred in respect of the purchase of such shares or otherwise. If that financial institution forecloses such pledge, mortgage or charge then it may only transfer the Group A Shares subject to the pledge, mortgage or charge if it obtains the prior written consent of the Treasury (such consent not to be unreasonably withheld).

According to Article 6.A.3 of the Company's Articles of Association, restriction of the transfer of the shares of Group B shareholders are limited to strategic commitment period and there shall be no restrictions on the transfer of shares in Group B after the end of the strategic commitment period which is November 14, 2008.

Furthermore, according to the supplemental Article 17 of the Telegram and Telephone Law numbered 406 and the paragraph 4 of the Company's Articles of Association, C Group Privileged Share shall not be sold.

Public Disclosure and Transparency

Company Disclosure Policy

Türk Telekom Disclosure Policy has been formulated in line with the CMB's Communiqué on Principles Governing Disclosure of Material Events No: II-15.1 and CMB's Corporate Governance Principles. The policy

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has been approved and put into effect by the Board of Directors and were submitted to the shareholders' information in General Assembly Meeting convened on May 27, 2014. The disclosure policy is posted on the investor relations website (www.ttinvestorrelations.com) under the "Corporate Governance" heading. The Investor Relations Department is responsible for the monitoring and development of the said policies, and the names and duties of the relevant responsibility owners are listed under the heading Investor Relations Unit. These individuals cooperate closely with the Board of Directors and Corporate Governance Committee in the fulfillment of these responsibilities.

Assessment of Company Guidance

On July 2017, the Company revised the guidance, which it announced February 2017. Guidance that was revised on July 2017 is below.

"Under normal circumstances, we expect:

- Consolidated revenue (excluding construction revenue adjustment) to grow 10-11% over 2016,
- Consolidated EBITDA to be between TL 6.3 billion and TL 6.4 billion,
- Consolidated CAPEX to be around TL 3.3 billion."

In 2017, Türk Telekom posted record-breaking growth in year-end revenue and EBITDA, exceeding the aforementioned guidance for both financial metrics. In other words, consolidated revenue (excluding IFRIC 12) increased 11.1% and consolidated EBITDA rose to TL 6.45 billion. During the same period, the Group's consolidated capital expenditures amounted to TL 3.2 billion, in line with guidance.

Guidance for 2018 Regarding Consolidated Financial Results

Under normal circumstances, guidance for 2018 is as follows:

- Consolidated revenue growth (excluding IFRIC 12) to be around 11% over 2017
- Consolidated EBITDA to be at TL 7.0 billion and TL 7.2 billion levels
- Consolidated CAPEX to be around TL 3.5 billion.

Investor Relations Website and Its Content:

Investor Relations website which is accessible at www.ttinvestorrelations.com, is actively used in achieving transparency and public disclosure in parallel with the Capital Market legislation, CMB and BIST rules and regulations, and CMB's Corporate Governance Principles. A large portion of the information on the website is provided both in Turkish and English. The main headings covered on the website are listed below:

- Detailed information about the corporate identity,
- Detailed information about vision, mission and values,
- Company organization chart and shareholding structure,
- Information about the Members of the Board of Directors and Senior Management of the Company,
- Articles of Association,
- Trade registry information,
- Financial statements and activity reports,
- Material disclosure,
- Earning press releases,
- Investor presentations,
- Stock performance information,
- Credit ratings,
- Bond information,
- Contact information of analysts covering the Company,
- General Assembly agenda, invitation, Information document, proxy sample, list of attendants,
- Corporate governance practices and compliance report,
- Dividend distribution policy, history and capital increases,
- Independent auditor,
- Insiders with administrative responsibilities,
- Internal Audit and Risk Management,
- Disclosure Policy,
- Telecom glossary,
- Demand circular related to the public offering and prospectus,
- Türk Telekom Call Center and contact information,
- Investor Relations contact information,
- Information related to the social responsibility projects of Türk Telekom.

Trade Registry Information

Date of Registration	June 30, 1994
Date of publishing the corporation in Turkish Trade Registry Gazette	July 1, 1994
Registration Number	103633
Trade Registry Office	Ankara Trade Registry Office
Central Registration System Number	1000000338725973

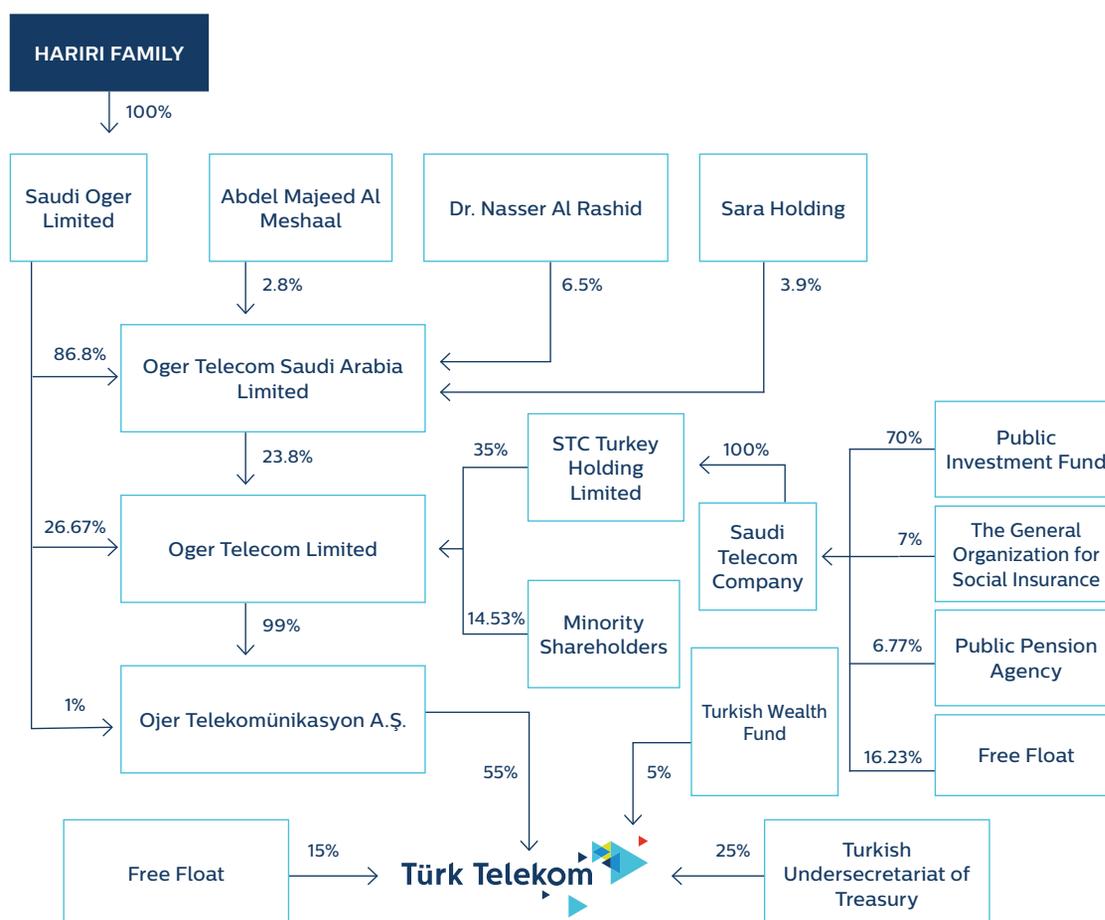
Disclosure of Ultimate Controlling Individuals

Not subject to the authorized capital system, the Company has a share capital of TL 3,500,000,000 which is fully paid-in. The distribution of the paid-in capital among the shareholders is shown below:

Group	Shareholder	(TL) Capital Amount	(%) Share*
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	TR Undersecretariat of Treasury	875,011,884,975	25
C	TR Undersecretariat of Treasury	0.01	
D	Turkish Wealth Fund	174,988,115,015	5
E	Free Float	525,000,00.00	15
Total		3,500,000,000.00	100

*According to the Official Gazette on February 5, 2017, the Council of Ministers decided to transfer the 6.68% stake (5% B Group free float shares and 1.68% D Group shares) of the Company belonging to the Turkish Treasury to the Turkish Wealth Fund. The transaction was completed in 2017.

Natural and legal persons owning share from our Company's capital are stated below:



*According to the Official Gazette on February 5, 2017, the Council of Ministers decided to transfer the 6.68% stake (5% B Group shares and 1.68% D Group shares) of the Company belonging to the Turkish Treasury to the Turkish Wealth Fund. The transaction was completed in 2017.

Activity Report

The content of the annual activity report are prepared in accordance with New Turkish Commercial Code and Capital Market Board regulations. There were no conflicts of interest arising between Türk Telekom and the related organizations which offer investment advice, investment analysis, and rating activity. Chief Executive Officer is not the Chairman of the Board of Directors.

No administrative sanction or penalty has been imposed on Board of Directors members. As there is no reciprocal shareholding interests in the Company's share capital, no information regarding this issue is placed in activity report.

Stakeholders

Informing the Stakeholders

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles.

The Company's Sales and Customer Care Department efficiently handle Türk Telekom customers' information requests about services and products, their comments or complaints, and provide solutions for customer problems.

Intercompany disclosures are carried out by Human Resources - Internal Communication Department to the employees.

Stakeholder Participation in Management

As a result of the efforts to enable stakeholders to participate in the management, models for the company employees participation in the management was developed in also 2017 such as Occupational Health and Safety Boards, Disciplinary Boards, and Inventor Idea System. Furthermore, a contact form was created on the Investor Relations website for the stakeholders to inform the Corporate Governance Committee about the Company's transactions that are in breach of the legislation and that are ethically inappropriate.

Human Resources

Türk Telekom aims to be the most preferred company in the Turkish telecommunications sector, to attract and recruit the most skilled human resources aligned with the corporate culture and values and in line with its future strategies and targets.

Recruitment and career planning are made in line with the principle of providing equal opportunities to employees within the context of human resources policy. Recruitment principles are defined according to

objective criteria as part of body of rules for recruitment. It is aimed to generate long term employment within the possibilities of technological developments, fiscal and economic conditions, sectoral variations, convergence of goods and services, organizational and changes in order to provide fast, high quality and economical services. Continuous improvement of the Company depends on the capability and flexibility of employees to adapt to changing conditions of the sector quickly and efficiently. In this regard, candidates that meet job requirements are sourced locally and internationally. Recruitment processes are determined in accordance with applicable laws and regulations. Employee relations are currently managed by Human Resources Partners.

Working Culture

Türk Telekom makes it a goal to establish an ongoing relationship with its employees and stakeholders built on respect, trust and ethical values, adhering to the corporate culture built and maintained on the basis of respect and sharing, as well as its principles which include 'Customer Focused, Innovative, People oriented, Trustworthy and Agile Approach'. There was no complaint regarding discrimination from our employees in 2017.

Our working culture is characterized by providing high quality products and services and maintaining high levels of satisfaction in supplier-company-customer channel, and increasing productivity. The objectives, which are specific, measurable, attainable, relevant and time bound, are assessed with the actual performance results. Alternative, Customer-Focused Approaches are developed in order to follow -up, evaluate and resolve customer complaints.

The communications channels of the Company such as Intranet, internal video portal, e-mail, screens, instant notification and corporate journal create corporate awareness, enable employees to access to all business resources, contributes to employees' career development and creates a synergy through events and social activities. Definitions and distribution of tasks and performance and award mechanisms are disclosed by Performance Management Team.

Environmental and Occupational Health and Safety

Türk Telekom is obliged to implement the measures set forth in the Occupational Health and Safety Law and the Environment Law, as well as in all applicable regulations issued pursuant to these laws, and fulfills these requirements in all workplaces. Türk Telekom implements a proactive and efficient environmental and occupational health and safety management system. The Company further improves these systems to prevent workplace accidents and to raise employee awareness about environmental culture and occupational health and safety.

Türk Telekom conducts and documents risk and environmental impact assessments in order to identify potential hazards and associated risks that may arise from its operations, products and services and to evaluate the level of environmental impact; develops methods and procedures for hazard control in a systematic fashion in order to prevent workplace accidents and illnesses and also to minimize environmental impact. The Company aims to identify the risk of occupational accidents and illnesses, so that they can be prevented through the implementation of proper measures.

The Company has established “Occupational Health and Safety Committees” to identify potential risks and take necessary measures at its workplaces for ensuring employees’ health and safety. Employee representatives also join these committees and evaluate all types of feedback about occupational health and safety measures.

Performance Management and Continuous Improvement

The purpose of the Performance Management process is to ensure that employees contribute to achieving the Company’s goals that are aligned with the corporate vision and to assess their contributions in an objective and systematic manner while creating a motivating work environment and supporting personal development. Each year, Company objectives are deployed down to department and individual levels so that employees can understand how their individual efforts contribute to the bigger picture.

The goal deployment meetings, which are held every year after the preparation of Senior Management Scorecards, aim to ensure the management is aligned to disseminate the performance culture in the organization, set the goals in a seamless manner and conduct proper evaluations. It is very important for managers to communicate the information and the strategies shared at these meetings to their teams.

After goal setting, the management team evaluates to what extent the goals have been achieved. Managers provide performance feedback to their teams to make them aware of their performance, support their

development, and help them unleash their full potential. The outcomes of the Performance Management Process provide input for various HR processes such as compensation and rewards, career and talent management, training and development activities.

Guidelines, announcements and visual materials relating to the performance management process and system are shared with relevant people during the performance periods.

Türk Telekom provides opportunities for the personal and professional development of its employees to create a performance management concept focused on constant development where employees will be able to realize their full potential. Türk Telekom also aims to support corporate goals by enhancing the loyalty of its “human resources”, its most valuable asset, to the Company. All employees are able to attend the trainings provided by Türk Telekom Academy.

The Company developed advanced information security policies and activities and was awarded with ISO 27001 certificate, regarding the security of the private information of its customers. Only authorized employees have access to the personal data on need-to-know basis. Access logs are audited internally to determine any suspicious or irrelevant uses. Türk Telekom provides its employees with data security training.

Remuneration

In order to realize current and future goals, Türk Telekom aims to attract qualified employees, retain employees, keep motivation high to make services sustainable and reward outstanding performers. Remuneration is determined by the relevant legislation, the job description, required responsibilities, qualifications and the market value.

Code of Business Ethics

Türk Telekom Code of Business Ethics is the set of basic behaviors and rules; particularly the Members of the Board of Directors and the Audit Board, and all employees must abide by.

The Code of Business Ethics; is the key document that serves as a guidance for and primarily be adopted by Türk Telekom employees as a principle, was approved by our Board of Directors and was publicly announced via our company’s investor relations website. The document was issued in line with the vision, mission and values of Türk Telekom, in order to determine how all employees and the Members of the Board of Directors and the Audit Board, and the Company executives, in particular, should behave both within the working environment and outside the working environment.

Our managers are responsible for adopting and developing ethics culture in our company. Our company provides code of ethics training to its employees.

Social Responsibility

Türk Telekom Group provides information technologies - the main driving force behind sustainable economic growth and social development- throughout Turkey.

In addition to the products and services it develops, Türk Telekom sees it as a corporate responsibility to help all those who cannot participate in social life due to economic, social, regional or physical reasons, access information. Thus, Türk Telekom carries out activities in line with the principle of "accessible communication for all".

Türk Telekom supports the United Nations Sustainable Development Goals with its business practices and Corporate Social Responsibility projects.

Company projects such as "İnternetle Hayat Kolay - Life is Simple with the Internet", Telephone Library, Sunlight, Loud Steps, Türk Telekom Schools and Türk Telekom Amateur Sports Clubs are carried out under the roof of "Türkiye'ye Değer - Value to Turkey" project.

Board of Directors

Structure and Formation of the Board of Directors

Our Board of Directors was elected at the Extraordinary General Assembly Meeting which was held on 8 July 2015, for a term of 3 years. Structure of the Board of Directors as of the report date is below:

Biographies of the members of Türk Telekom's Board of Directors are placed in the Board of Directors Section of the annual report and Investor Relations website. Pursuant to the 10th article of the Articles of Association, the members of the Board of Directors shall hold office for a term of 3 years. There is no distribution of tasks between the members of Board of Directors. General Assembly elected Independent members of Board of Directors during its Extraordinary General Assembly Meeting which was held on 8 July 2015. Corporate Governance Committee performed the functions of Nomination Committee in line with CMB principles. Four independent members of Board of Directors were nominated to the Corporate Governance Committee by B Group Shareholder. A report regarding nominees' independence situation was prepared and submitted to the Board of Directors by Corporate Governance Committee on June 19, 2015. After CMB provided consent for the nominees, the nominees of independent members of board of directors were submitted to the General Assembly's approval and elected as well.

At the Ordinary General Assembly Meeting, which was held on June 21, 2017, the election of Mr. Fuat Oktay as Independent Board Member (as a natural person) was approved.

Statements of Independence that each Independent Board Member signed presented under the appendix of this report. There were no circumstances that jeopardize independence of board of directors in the activity period. No company rules have been internally established yet regarding the positions of the Board of Directors held outside the company.

Name - Surname Duties at Türk Telekomünikasyon A.Ş. over the last 5 years	Duties Outside of Türk Telekomünikasyon A.Ş.	
Mohammed Hariri -Chairman of the Board of the Directors, -Chairman of the Executive Committee, -Member of the Corporate Governance Committee	Chairmanship of the Board	- Al Mal Investment Holding, - Avea İletişim Hizmetleri A.Ş., - Group Med International Holding Limited, - Bank Med sal (and its subsidiaries), - Oger Telecom Ltd., - TTNET A.Ş.
	Board Membership	- 3C Telecommunications (PTY) Limited, - Lanun Securities S.A.
Fuat Oktay - Vice Chairman of the Board of the Directors	Board Membership	- THY Teknik A.Ş.
	Other	- Undersecretary Prime Ministry of Turkish Republic
Abdullah Tivnikli -Member of the Board of the Directors, -Member of the Executive Committee	Chairmanship of the Board	- 4Tek İletişim A.Ş., - A G Gayrimenkul Yatırım Sanayi ve Ticaret A.Ş., - Altınapa Değirmencilik Ticaret ve Sanayi A.Ş., - Çeşme Enerji A.Ş., - Eksim Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., - Eksim Yatırım Holding A.Ş., - Eksun Gıda Tarım Sanayiye Ticaret A.Ş., - Hasanbeyli Enerji A.Ş., - İklim Elektrik Yatırım Sanayiye Ticaret A.Ş., - İltek Enerji Yatırım Sanayiye Ticaret A.Ş., - İncesu Gayrimenkul Yatırım Sanayiye Ticaret A.Ş., - Karadeniz Elektrik Üretim Sanayi A.Ş., - Kök Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., - Merzifon Enerji A.Ş., - Seferihisar Enerji A.Ş., - Silivri Enerji A.Ş., - Sinangil Gıda Pazarlama Sanayiye Ticaret A.Ş., - Susurluk Enerji A.Ş., - Tam Enerji Yatırım Sanayiye Ticaret A.Ş., - Tokat Enerji A.Ş.
	Vice Chairmanship of the Board	- Argela Yazılım ve Bilişim Teknolojileri A.Ş., - Innova Bilişim Çözümleri A.Ş., - Sebit Eğitim ve Bilgi Teknolojileri A.Ş.
	Board Membership	- Akabe Gayrimenkul Yatırım Sanayiye Ticaret A.Ş., - Assist Rehberlik ve Müşteri Hizmetleri A.Ş., - Avea İletişim Hizmetleri A.Ş., - Batı Hattı Doğalgaz Tic. A.Ş., - Kat Turizm Gayrimenkul Yatırımları ve İşletmeTicaret A.Ş., - Ottoman Gayrimenkul Yatırımları İnşaat ve Ticaret A.Ş., - Tasfiye Halinde Akabe İnşaat Sanayiye Ticaret A.Ş., - Tekirdağ Enerji Sanayiye Ticaret A.Ş., - TTNET A.Ş.
Cenk Serdar -Member of the Board of the Directors, -Member of the Corporate Governance Committee, -Member of the Early Identification of Risks Committee	Chairmanship of the Board	- Contact Centers Company (CCC)
	Board Membership	- Avea İletişim Hizmetleri A.Ş., - Contact Centers Company (CCC), - STC Channels Ltd.
	Other	- Contact Centers Company (CCC), Audit Committee Chairman, - STC Channels, Executive Committee Member, - STC Channels, Remuneration (Compensation) Committee Member, - Saudi Telecom Company, Consumer Senior Vice-President
Fahri Kasırga -Member of the Board of the Directors	Board Membership	- Council of Higher Education (YÖK)
	Other	- General Secretary of Presidency of Turkish Republic
Al-Hakam Marwan Moh'd Kanafani -Member of the Board of the Directors Former: -Türk Telekom Group CEO	Chairmanship of the Board	- Arab Advisors Group
	Board Membership	- 11818 Rehberlik ve Müşteri Hizmetleri A.Ş., - Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., - Cell C (Pty), - Innova Bilişim Çözümleri A.Ş., - Oger Telecom Ltd., - Sebit Eğitim ve Bilgi Teknolojileri A.Ş., - Türk Telekom International AT AG
İbrahim Eren -Member of the Board of the Directors, -Chairman of the Audit Committee, -Chairman of the Corporate Governance Committee	Chairmanship of the Board	- Turkish Radio and Television Corporation (TRT), - Television Audience Measurement (TIAK)
	Board Membership	- International Academy of Television Arts & Science (Emmy Awards), Director on the Board
	Other	- Turkish Radio and Television Corporation (TRT), General Manager

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Mazen Abou Chakra - Member of the Board of the Directors, - Observer Member of the Audit Committee, - Member of the Early Identification of Risks Committee	Board Membership	- 3C Telecommunications Pty Ltd., - Oger Telecom Ltd.
Nasser Sulaiman A Al Nasser - Member of the Board of the Directors, - Member of the Executive Committee, - Observer Member of the Audit Committee	Chairmanship of the Board	- STC Solutions
	Board Membership	- Avea İletişim Hizmetleri A.Ş.
	Other	- Saudi Telecom Company, Assistant General Manager of Operations
Rami Aslan - Member of the Board of the Directors, - Member of the Executive Committee <i>Former:</i> - Observer Member of the Audit Committee, - Türk Telekom General Manager/CEO	Board Membership	- Avea İletişim Hizmetleri A.Ş., - Oger Telecom Ltd., - TTNET A.Ş.
	Other	- Oger Telecom Ltd., CEO
Suat Hayri Aka - Member of the Board of Directors		- Undersecretary of Ministry of Transport, Maritime Affairs and Communications of Turkish Republic
Yiğit Bulut - Member of the Board of the Directors, - Member of the Audit Committee, - Chairman of the Early Identification of Risks Committee	Board Membership	- Turkish Wealth Fund Management Co.
	Other	- Key Advisor of Presidency of Turkish Republic

Principles of Activity of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall meet at least four times a year or shall meet whenever the Company's business so requires. The activities of the Board of Directors are run by Board Secretariat. At least 10 business days before the meeting, a notice of the time of meeting and the agenda which is accompanied by any relevant papers are sent to the Board of Directors. Meeting notices are sent to the members of the Board of Directors via e-mail. The agenda of the meeting is set via e-mails according to the proposals of members of the Board of Directors, CEO, VPs and Executive members of departments. Agenda is finalized by receiving the consent of the Chairman of the Board. In 2017, the Company's Board of Directors convened on April 25 and December 15 to evaluate strategic matters about the Company. The overall attendance rate of board meetings in 2017 was 98 percent. Pursuant to the 12th article of Articles of Association; questions arising at a meeting were passed by a simple majority of the votes of the Directors present at such meeting unless the resolution relates to a "Supermajority Decision Relating to the Board. Supermajority Decisions Relating to the Board were taken with the presence and affirmative vote of 7 Directors, at least one of which shall be a Director representing the Treasury. Questions arising at the meeting of Board of Directors and issues with multiple views are reed into minutes with the appropriate grounds of negative votes in detail. The rights of member of Board of Directors representing C Group are explained in the section of Voting Rights and Minority Shares. No negative votes on these resolutions were reed. There were no important transactions presented for approval of the independent

directors and all the related party transactions were approved by the majority of the independent directors. The damages to the Company resulting from the directors' faults were insured up to USD 125,000,000.

Numbers, Structures and Independence of Committees within the Board of Directors

Audit Committee

Membership structure of the Audit Committee was changed with the Board Resolution dated 17 October 2012.

Independent board member İbrahim Eren is serving as chairman and independent board member Yiğit Bulut is serving member of the Audit Committee. Non-executive board members; Mazen Abou Chakra and Suleiman Nasser A Al Nasser are serving as observer members of the Audit Committee.

The Committee holds meeting once in three months. The Committee gathered 7 times in 2017 and reviewed and monitored Türk Telekom Group's processes of accounting, finance and auditing as well as their processes for monitoring compliance with law and regulations and their own code of business conduct, as well as such other matters which may be delegated specifically to the Committee by the Board from time to time. The Operating Principles of Audit Committee were revised and updated in 2018, and went into effect upon approval by the Board of Directors.

Corporate Governance Committee

Corporate Governance Committee was established with the Board Resolution dated 17 October 2012.

Independent board member İbrahim Eren is serving as chairman of the Corporate Governance Committee. Non-executive board members Mohammed Hariri and Cenk Serdar and Investor Relations Director Sabriye Gözde Çullas are serving as the member of the Corporate Governance Committee.

The Committee shall provide implementation, improvement and adoption of corporate governance principles within the Company and shall convene as often as deemed necessary for the effectiveness of its studies. In 2017, the committee held four meetings and carried out its activities effectively.

Corporate Governance Committee undertakes the duties of Nomination and Remuneration Committees.

Early Identification and Management of Risks Committee

Early Identification and Management of Risks Committee was established with the Board of Resolution dated 23 October 2013.

Independent board member Yiğit Bulut is serving as chairman of the Early Identification and Management of Risks Committee. Non-executive board members Mazen Abou Chakra and Cenk Serdar are serving as the members of the Early Identification and Management of Risks Committee.

Early Identification and Management of Risks Committee meets every two months and carries out its tasks effectively. In 2017, the committee held 6 meetings in total. The aim of establishing this committee is;

- To identify any potential risk that may jeopardize the existence, development and continuity of the Türk Telekom Group,
- To establish the Corporate Risk Management System for implementing necessary measures and actions with the aim of eliminating the identified risks, and to ensure the system's continuity and to improve it if necessary,
- To conduct activities related to the risk management and monitoring via risk management tools within the scope of a risk management system,
- To ensure that findings received from the Corporate Risk Management System are important components of decision making
- To present reports to the Board of Directors on these issues.

Independent board member İbrahim Eren serves as both the chairman of the Audit Committee and Corporate Governance Committee. Independent board member Yiğit Bulut serves as both the chairman of the Early Identification and Management of Risks Committee and the member of the Audit Committee.

Risk Management and Internal Control Mechanism

Türk Telekom Group Corporate Risk Management mission is; "To make sure that the risks that may arise are managed in the best possible manner being aware of the changing internal and external dynamics, To adopt Corporate Risk Management as an inseparable part of the corporate culture and strategic decision taking processes", while the vision is; "To establish a Corporate Risk Management system in parallel to international best practices".

Türk Telekom Group Corporate Risk Management cycle has been created within the scope of the international best standards (ISO 31000). [Please see figure 1]

In Türk Telekom Group, Corporate Risk Management is a process established on "Continuous Communication and Consultation" which is the fundamental of the systematic taken as basis. For this reason this process is carried out with the participation of all business units.

Every year, all units identify the internal and external potential risks that may arise in parallel to the economic, sectoral and legal developments that may hinder the Group from achieving its strategic objectives.

The risks Türk Telekom is exposed to are classified as strategic, operational and financial. These risks are measured via qualitative and quantitative risk metrics and management tools which are continuously improved and updated to be in harmony with the dynamic global conditions and ICT sector.

In addition to these measurements, the root causes that underlie/trigger potential risks are also analyzed in detail. Actions plans, which are prepared according to the priorities set by the Senior Management, focus on the root cause that leads to the cause-and-effect relationship, and a domino effect is created to eliminate / reduce the identified risk at reasonable costs.

Corporate Governance Principles Compliance Report

Türk Telekom Group Corporate Risk Management Cycle

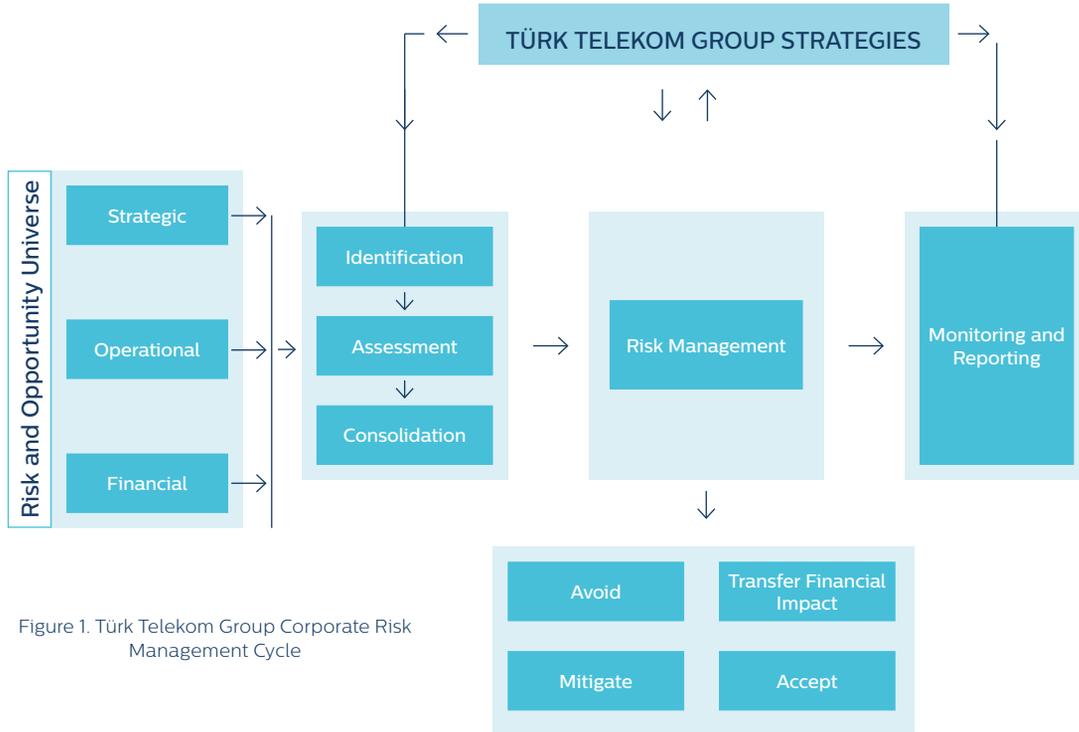


Figure 1. Türk Telekom Group Corporate Risk Management Cycle

Türk Telekom Group Corporate Risk Management Corporate Governance Model

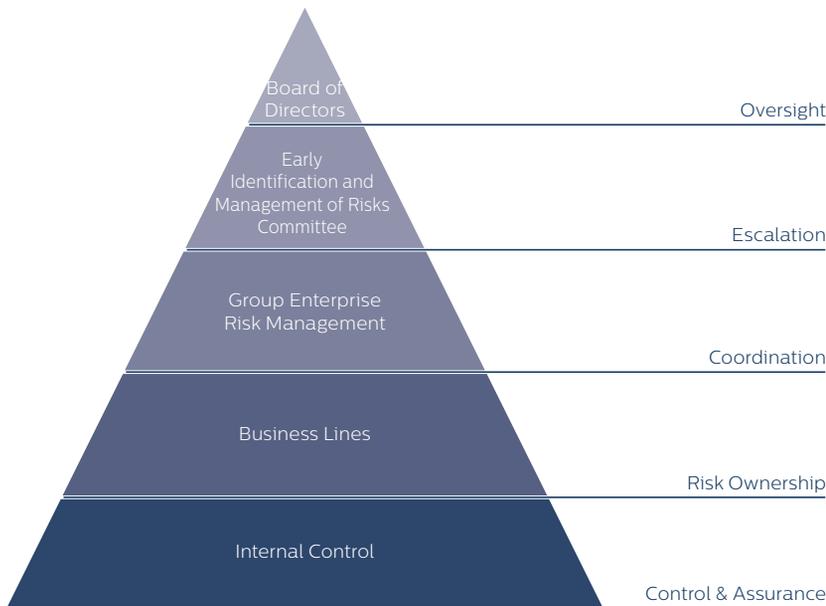


Figure 2. Türk Telekom Group Corporate Risk Management Corporate Governance Model

In this governance model;

The Board of Directors reviews and assesses the risks and opportunities that Türk Telekom is exposed to in compliance with the Group's strategies.

Early Identification and Management of Risks Committee takes into consideration the risks that Türk Telekom Group is or may be exposed to, and makes sure that the "Risk Management Process" is established, and continuously oversees the effectiveness of the system. The Committee presents significant risks and opportunities to the attention of the Board of Directors.

Corporate Risk Management is to determine and improve the minimum standards regarding the Corporate Risk Management System, coordinating the Corporate Risk Management processes carried out within the Group, monitoring the existing levels and development levels of the identified risks and reporting them to related Management units.

Business Units consider the risks under their responsibility and take necessary action.

Internal Audit provides assurance regarding controls and actions. Checks the functionality of the system, and reports any failures.

In the one to one work carried out with middle and top level executives of the company's business lines, the risks of the Group companies are also clearly identified in line with the risk management standards established for Türk Telekom. The evaluation process draws a detailed panorama of the risk universe that the Company is exposed to, taking into account the root causes that generate risks, the relationships between risks, sectoral factors and the macroeconomic dynamics of the country. Effective analysis of the root causes that generate the identified risks, constitutes the basis of the action planning, while a cost-effective and optimized management process is implemented with the actions that eliminate / reduce the root causes that generate risks.

Strategic Targets of the Company

5-year Strategic Business Plan which include the strategic targets determined by observing the global and local sectoral developments, technological developments and identification of customer preferences and annual budget are subject to Board of Directors approval. Board monitors the performance of Türk Telekom reaching its strategic targets monthly.

Prohibition on Doing Business and Competing with the Company

The Company has adopted practices that are aligned with Articles 395 and 396 of the Turkish Commercial Code and Corporate Governance Principles annexed to the Communiqué II-17.1 on Corporate Governance. At the General Assembly Meeting dated 21 June 2017, permission was given to the controlling shareholders, the Board of Directors Members, the senior executives, their spouses and their relatives by blood and marriage up to the second degree to make transactions which may cause conflict of interest for the Company or Company's subsidiaries and to compete in accordance with the Communiqué II-17.1 on Corporate Governance and the general assembly was informed about the transactions of this nature realized within the year.

Remuneration of the Members of the Board of Directors and Senior Executives

Shareholders were informed about the "Remuneration Policy" determined for the Board of Directors Members and the Senior Executives in accordance with the Corporate Governance Principles at the Ordinary General Assembly Meeting dated 21 June 2017. Remuneration Policy was disclosed to the public and put on the investor relations website within the same day. Remuneration of the members of the Board of Directors is determined by the General Assembly in accordance with Article 408 of Turkish Commercial Code No. 6102 and Article 8 of the Company's Articles of Association. General Assembly approved and accepted that each member of the Board of Directors shall be paid net remuneration at an amount of TL 15.000 on monthly basis as well as the bonuses at the same amount of the monthly remunerations twice in a year, in January and in July. There is no performance measurement and performance-based rewarding system in place for the Board members. The Company has never lent money or extended loans to any Board member or executive, no credit has been given under the name personal loan through third persons, nor have any guarantees been provided such as surety ship in their favor.

The remuneration of directors and other members of key management were as follows:

(TL thousand)	1 January - 31 December 2016	1 January - 31 December 2017
Short-term benefits	178,799	127,307
Wages and wages like fees	169,854	117,712
Attendance fees	8,495	9,595
Long-term defined benefits	2,605	2,667
Social Security Institution premiums	2,065	2,667
	181,404	129,974

Investor Relations

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