

CORPORATE GOVERNANCE ALIGNMENT REPORT

Compliance with the Principles of Corporate Governance

Acting upon the belief that good corporate governance is fundamental to the sustainability of companies, at a time before corporate governance principles had been drawn up in Turkey, Koç Holding A.Ş. ("Koç Holding") took the steps needed, voluntarily and proactively, to reach the highest standards of corporate governance. Koç Holding has always made (i) transparency, (ii) fairness, (iii) responsibility and (iv) accountability its four inviolable principles.

Koç Holding's management structure, processes and policies have been established in compliance with the prevailing regulations, ensuring clarity and transparency in the areas of decision making and responsibility. Koç Holding is one of the first Turkish companies to appoint independent members to its Board of Directors ("BoD"). Koç Holding is also one of the few companies in Turkey to link the remuneration of its senior management to sustainable financial and operational performance. Koç Holding, in accordance with laws and regulations, provides the requisite information to all investors and analysts simultaneously in a timely, reliable, consistent and orderly manner. In order to ensure continuous and effective communication, Koç Holding organizes investor meetings, conferences and panels and targets to reach a wider audience through media interviews and press bulletins.

As the first holding company established in Turkey and as a group that is genuinely committed to institutionalization, Koç Holding has adopted the "Corporate Governance Principles" made public in July 2003 and revised in May 2005. These universal principles have been widely implemented by Koç Holding. We are working on the principles that have not yet been implemented and we plan to apply them immediately on the completion of the administrative and technical infrastructure.

Details of the compliance report regarding Koç Holding's position vis-à-vis the Corporate Governance Principles that have been implemented and those that are pending implementation can be found in the following sections.

Corporate Governance Principles Pending Implementation

Koç Holding believes in the importance of full compliance with the corporate governance principles. However, due to challenges encountered in the implementation of some principles, the ongoing discussions in Turkey and in the international platform regarding compliance with certain principles, and failure of the current market and corporate structure to meet such principles in a proper fashion, full compliance has not yet been achieved. Koç Holding is closely monitoring the relevant developments while also working continuously in order to ensure that full compliance is achieved in the most appropriate timeframe. The following sections describe the comprehensive practices implemented in our Company within the scope of corporate governance principles as well as those principles which are yet pending implementation.

Activities in the Reporting Period for Compliance with Corporate Governance Principles

In 2011, the Corporate Governance Committee continued to work energetically and many activities have been conducted to improve compliance with the Principles by both the Holding company and publicly-traded Group companies. Most importantly, efforts are being made to comply with regulations derived from the new Turkish Commercial Code and the principles of the Capital Markets Board.

Our Company website and annual report have been reviewed and revised for full compliance with the principles. The General Assembly Procedure delivered to Group companies was expanded with the following topics: Information will be provided about candidate members of the BoD, agenda and information memorandum will be announced minimum three weeks in advance of the general assembly meeting, information will be provided on preferred shares, directors will be present at the meeting, media and stakeholders will be invited to the meeting, open ballots will be used by way of raising hands during the voting procedure and shareholders will be advised of this procedure in advance, proxy forms will be provided. Our endeavors continued on the use of standard wording and templates on general assembly announcements and information memorandums by all Group companies.

We will continue our endeavors to ensure full compliance with the Principles in light of the developments in legislation and general practice.

SECTION I - SHAREHOLDERS

1. Shareholders

1.1 Facilitation of the use of shareholder rights

Investor Relations Department (IR) is responsible for liaising in the relations between Koç Holding and the shareholders in coordination with other relevant departments.

IR is responsible for providing information, excluding trade secrets, to existing and potential shareholders on the Company's operations, its financial position and strategy and managing the bilateral communication between the shareholders and the Company management. The information is provided in an orderly manner that will not give way to inequality of information, by consulting the relevant departments and coordinating with the Group companies when required.

Within this scope, the responsibilities of IR are as follows:

- To coordinate with the Corporate Communications Department vis-à-vis the management of the Company's financial communication strategy,
- To promote the Company vis-à-vis individual and institutional investors in Turkey and abroad,
- To promote the Company to existing and potential shareholders and brokerage houses; to reply to analyst requests for information on Koç Holding,
- To issue press releases following the announcement of financial results and arrange teleconferences, web-casts and press meetings when required,
- To answer investor inquiries and requests,
- To inform existing and potential investors proactively and regularly on micro and macro developments by participating in conferences, roadshows and investor meetings,
- To maintain an accurate and updated customer database,
- To determine the communication strategy by analyzing Koç Holding's share price performance, peer group comparison, perception studies etc.,

- To follow and analyze the developments that might have a potential impact on the Company's capital market instruments and propose alternative strategies considering the interests of all stakeholders,
- To facilitate bilateral communication between the shareholders and the executive management and the BoD,
- To provide reporting to the relevant departments and executive management on the capital market developments and share price performance,
- To update communication tools such as the website, annual report, investor presentations, investor bulletins, corporate films, etc. in order to provide shareholders accurate and complete information on Koç Group.

Directorate of Accounting ensures that investor records are kept in an orderly, secure and updated manner, based on the records of the Central Registry System. Legal Department ensures that general assembly meetings are held in compliance with the legislation, Company's Articles of Association and other internal corporate principles. In coordination with the support of the Finance Group and Legal Department, IR prepares the documents to be used by the shareholders in general assembly meetings. These documents are published on the Company website 3 weeks before the meeting date. The Legal Department ensures that voting results are recorded in the general assembly meeting minutes. IR ensures that the minutes containing the voting results are published on the website for the convenience of the shareholders. Finance Group is responsible for financial reporting and disclosing material information to the public. IR and Corporate Communications departments perform the other functions related to informing the public within the scope of the Company's Disclosure Policy.

IR prepares an activity report, at least annually, to the Corporate Governance Committee, CEO and CFO. This report may also be submitted to the BoD. In addition, at the beginning of every year, an investment relations strategic plan is submitted to the CFO.

Investor Relations Contacts

CFO-Finance and Strategic Planning Group
President and Corporate Governance
Committee Member:

Ahmet F. Ashaboğlu

Tel : 0216 531 0401

Fax : 0216 531 0099

E-mail : ahmeta@koc.com.tr

Investor Relations Coordinator:

Funda Güngör Akpınar

Tel : 0216 531 0535

Fax : 0216 531 0099

E-mail : fundag@koc.com.tr

Investor Relations Associate:

Neslihan Aycil

Tel : 0216 531 0516

Fax : 0216 531 0099

E-mail : neslihana@koc.com.tr

IR attended 18 road shows and conferences in Turkey and abroad and held more than 500 one-on-one meetings with existing and potential investors and 12 analysts in 2011. In addition, the days when financial results were announced, which was three times for the quarterly results, IR held a webcast to discuss the financial results with the investment community. Questions from participants received through teleconferencing were answered by senior management. The voice records and transcripts of the webcasts, as well as the relevant investor presentations were published on the Company website for the convenience of those investors who were unable to participate in the broadcast on the date and hour indicated for further replay or downloading. The website, investor presentations and other investor tools were updated regularly and at most on a quarterly basis, with the aim of informing the public and shareholders. Material disclosures were posted on the website in Turkish and English at the same time as their announcement at the Public Disclosure Platform. Koç Holding acted in complete prudence in carrying out these activities to ensure full compliance with the regulations. There were no complaints filed with our Company regarding the exercise of shareholders' rights in 2010. To the best of our knowledge, there were also no administrative or legal proceedings regarding this subject.

Any information or announcements that might affect the use of shareholder rights were updated and published on the Company's Internet site for the benefit of shareholders.

1.2 Right to Obtain and Evaluate Information

Koç Holding does not discriminate among shareholders vis-à-vis their right to obtain and evaluate information. All information, except those involving trade secrets are shared with the shareholders. Senior management provides firsthand information to shareholders at meetings, conferences and webcasts on the strategy and operations. Throughout the year, material information is disclosed to shareholders. These announcements, past and current, are posted in English and Turkish on our website and distributed via email to those investors who have provided their contact information. Our website (www.koc.com.tr) provides comprehensive historical information and statistics that may be of interest to shareholders in Turkish and English under the Investor Relations section.

Enquiries directed to IR, with the exception of information considered confidential or a trade secret, are answered in writing or by phone by the most authorized person concerning that particular issue.

Our Articles of Association does not govern the right to demand a private auditor as an individual right and until now, no shareholder has submitted a request. The Company's activities are audited by an Independent Auditor and Legal Auditors assigned at the general assembly.

1.3 General Assembly Meeting Participation Rights

General Assembly Meetings are held in accordance with the procedure drawn up for the general rules for Koç Group companies taking into account the Turkish Commercial Code (TCC), Capital Market Legislation and the Corporate Governance Principles, and are organized to provide adequate information to and wide participation by the shareholders.

One Ordinary General Assembly Meeting of Koç Holding was held in 2011 - on 7 April 2011 with 79.9% attendance.

Our General Assembly Meetings are open to the public. Stakeholders and the media are able to follow the meetings. The General Assembly Meeting is held under the supervision of a government observer from the Ministry of Industry and Trade.

Invitations to the General Assembly Meetings are issued by the BoD in compliance with the TCC, Capital Markets Code and Koç Holding's Articles of Association. The public is informed immediately of the BoD's decision to hold the General Assembly Meeting through the Public Disclosure Platform. General Assembly Announcements are made in a way that complies with legal regulations as well as made on our website at www.koc.tr no later than 21 days prior to the General Assembly in order to reach the highest number of shareholders possible.

Prior to the General Assembly Meeting, the agenda items and related documents are announced to the public in compliance with all legal processes and regulations. The agenda items of the Assembly Meeting - annual report, financial statements, corporate governance alignment report, profit distribution proposal, independent external auditor's and internal auditors' reports and, proposed amendments, if any, to the Articles of Association with copies of the old and new versions of the texts, permissions issued by the CMB and the Ministry of Industry and Trade - are posted on the Company website and at Koç Holding headquarters 3 weeks prior to the meeting so as to facilitate easy access to the shareholders. In addition, a detailed explanation for each agenda item in the agenda announcements is made and, together with other information regarding the principles of general assemblies, is provided to investors.

The voting procedure is explained to shareholders on the Company website and newspaper notices. Voting by open ballots is employed through the raising of hands in voting the agenda items at the General Assembly Meeting.

Proxy forms are provided on the Company website and in newspaper notices for shareholders who wish to be represented by a proxy at the General Assembly Meeting.

There are no deadlines by which nominative shareholders have to register to be able to attend the General Assembly. It is sufficient for investors to get recorded on the General Assembly Blockage List at the Central Registry Agency two business days prior to the general assembly meeting.

General Assembly meetings are held at company headquarters. Under conditions stipulated in the Articles of Association, upon the request of shareholders, meetings may be held in another place in the city.

The location of the General Assembly Meeting is selected to facilitate easy access to all shareholders.

The section headings on the General Assembly agenda are to be clear and not open to interpretation, and every proposal shall be indicated under a separate heading for assessment. Shareholders have not made any representations pertaining to the agenda. Consent for Board Members to carry out transactions or to compete in such a way as to give rise to a conflict of interest with the Company shall be dealt with in a separate item.

At the General Assembly Meeting, the agenda items are expressed in an unbiased and detailed manner and presented in a clear and concise method to provide shareholders an opportunity to express their opinions under equal conditions and raise any questions. During our Ordinary General Assembly Meetings, the questions raised by our shareholders, guests and media representatives are answered by the Chairman of the BoD and our Executive Management.

Minutes of the General Assembly Meetings are posted at our Company website www.koc.com.tr. In addition, these minutes are made available to all shareholders for examination purposes at the Company headquarters.

Regarding division and merger of shares which change the capital and management structure of the Company, decisions are taken in the General Assembly Meeting. A majority quorum is required for BoD's decisions regarding participation in new companies or disposal of existing subsidiaries which are regarded as important transactions in our Articles of Association. Consent for transactions agreed to be important within the scope of the principles of corporate governance must be given by majority vote by independent members of the Board of Directors; if this is not obtained, amendments to the articles of association that are to be voted on by the General Assembly shall be submitted for approval by our subsidiaries at the Ordinary General Assembly.

Information concerning donations made and aid granted during the period shall be provided under a separate agenda heading.

1.4 Voting Rights

Restrictions on the use of preferred shares at our Company are avoided; the right to all shareholders to vote equitably, easily and appropriate is provided.

Koç Holding shares have been divided into two groups as Group A and B. Each registered Group A share is entitled to 2 voting rights at the General Assembly Meeting. If amendments are required to the Articles of Association, A Group preferred shareholders meet and approve the decisions taken at the General Assembly Meeting. However, in decisions requiring a change in the Articles of Association, all shareholders are entitled to 1 vote. As stated in Koç Holding's Articles of Association, shareholders of preferred stock do not have the privilege to nominate candidates to the BoD. A Group shares represent 26.77% of the paid-in capital and 42.23% of the total voting rights. B Group shares, each of which is entitled to 1 vote represent 73.23% of the paid-in capital and 57.77% of the total voting rights.

An ordinary shareholder can vote either personally or by appointing a non-shareholder third party as his/her representative. Our Articles of Association does not include a provision concerning publicly traded shares that prevents non-holders to vote by proxy as an appointed representative. However, A Group shareholders may only be represented by another A Group shareholder. If such is the case, it should be documented in the legal representations in writing.

Within the Holding, no cross ownerships exist that are associated with a controlling relationship.

1.5 Minority Rights

Koç Holding gives utmost care to the exercise of minority rights in compliance with the Turkish Commercial Code and Capital Market Board regulations. There were no criticisms or complaints filed with our Company in this regard in 2011.

1.6 Dividend Share Right

Koç Holding's Dividend Policy is determined at the General Assembly Meeting within the framework of the provisions of the Capital Market Legislation and our Articles of Association. There are no privileges in dividend distribution between A and B type shareholders.

The Dividend Policy and the annual dividend proposal containing the details stipulated in the Capital Markets Board Corporate Governance Principles are provided in the annual report and presented to the shareholders during the General Assembly Meeting. Furthermore, detailed information on the dividend history and capital increases are posted on our Company website.

Dividend Distribution Policy

In determining the distribution of profit, the long-term strategy of our Group, the capital requirements of our Company, our affiliates and subsidiaries, our investment and financing policies, profitability and cash position are taken into consideration. In principle, 20% of the "distributable profit for the period", calculated within the framework of the Capital Markets Legislation and other relevant legislation, based on the net profit for the period as shown on the financial statements prepared as per the Capital Markets Legislation and subjected to independent audit, is distributed in the form of cash or stock. If the distributable profit calculated according to these principles is less than 5% of the issued capital, there will be no distribution of dividend. As per the decision taken at the General Assembly Meeting, dividends can be paid out entirely in the form of cash or stock, or partly in cash and partly as stock. If in the form of cash, the dividend distribution is completed until the end of the fifth month following the end of the respective fiscal period, at the latest. If in the form of stock, the distribution is completed until the end of sixth month, at the latest. In accordance with the Dividend Policy, dividends are allocated equally to all existing shares as of the respective fiscal period.

Pursuant to Article 32 of our Articles of Association, no more than 2% of the amount remaining from the pre-tax earnings after the allocation of the first series of legal reserve fund, financial obligations, and first level dividend to shareholders withheld as per the Capital Markets Legislation, is allocated to Koç Holding Pension and Assistance Foundation. Additionally, without prejudice to the first level dividend established under the Capital Markets Legislation, 3% of the amount remaining after the deduction of first series of legal reserve fund, financial obligations and 5% of the paid-in capital from the pre-tax earnings, is allocated to

holders of dividend-right certificates. However the amount that will be paid to holders of dividend-right certificates cannot exceed 1/10 of the amount remaining from the net profit after the deduction the first series of legal reserve fund and first level dividend to shareholders established under the Capital Markets Legislation.

In respect of dividend distribution, the approval of the General Assembly Meeting is sought and the legal deadlines are followed based on the provisions of the TCC, Capital Market Regulations and the Company's Articles of Association. Currently, dividend distributed in cash and the dividend distributed as stock is paid out to shareholders, within the five months and the six months following the end of the relevant fiscal period, respectively.

1.7 Transfer of Shares

There are no provisions in the Articles of Association that complicate the transfer of B type shares traded on the stock exchange. As stated in the Articles of Association Article 13, Koç Holding BoD has the right to abstain from transferring A type shares held by the controlling shareholder.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

2.1 Public Disclosure Principles and Means

Disclosure Policy

Koç Holding Disclosure Policy encompasses what information, apart from that specified in regulations, shall be publicly disclosed; in what way, frequency and means this information is to be disclosed to the public; how frequently the board of directors or executives meet with the press; and what method shall be followed to answer questions asked the Company. It is voted on by the Board of Directors and submitted to our subsidiaries for their information at the General Assembly as well. Our Company's Disclosure Policy is announced to the public on our Internet website.

The Board of Directors is responsible for preparing, overseeing and updating the Disclosure Policy. The Disclosure Policy, which is approved by the Board of Directors, is presented to the shareholders at the General Assembly Meeting and shared with the public on our website.

In principle, the announcements and disclosures on behalf of Koç Holding A.Ş. using the tools and methods defined in our Disclosure Policy, can be made by the Members of the Board of Directors, CEO or CFO.

Finance Group is authorized and responsible for carrying out Koç Holding A.Ş.'s material disclosures obligation, in coordination with the Legal Department. Material disclosures are sent to the ISE after being signed by the CEO and CFO in principle. The disclosures are published in the website in Turkish and English. The number of material disclosures made by Koç Holding in 2011 was 22. Koç Holding is not listed on any foreign securities exchanges and therefore is not required to issue any material disclosures other than what is required by the ISE within the framework of CMB legislation. Koç Holding A.Ş. has not received any disclosure requests from the CMB and ISE during the year. Since all disclosures have been made within the legal timeframes, no sanctions were applied.

Information to be publicly disclosed is posted in a timely, accurate, complete, comprehensible, interpretable and at low cost manner for public use on the "Public Disclosure Platform" (www.kap.gov.tr) and our Company's website (www.koc.com.tr) so that it can assist persons and companies that are to benefit from the disclosure in making decisions.

Ultimate Controlling Shareholder(s)

Koç Holding's shareholder structure is published in the website, our annual report and related documents. Koç Family members are the "ultimate controlling shareholders".

Disclosure of People with Access to Insider Information and Protection of Insider Information

In order to promote transparency while protecting our Company's interests, utmost importance is given to compliance with Company policies regarding prevention of insider trading. For this reason in 2009 Koç Holding A.Ş. prepared a list of "People with Access to Insider Information". Every employee who is on this list has been asked to sign a declaration acknowledging their responsibility to protect and prevent misuse of insider information. Employees who are not on this list were also informed of the rules by a general letter in order to prevent a potential

abuse. The list is updated as and when there are changes and the newly added people are asked to acknowledge their responsibility.

People with administrative duties at Koç Holding A.Ş. are defined as members of the management and audit bodies, people with regular access to insider information pertaining to Koç Holding A.Ş. and people who are authorized to take management decisions that will impact the future development and commercial targets of Koç Holding A.Ş. People who have regular access to insider information and are authorized to take management decisions are Members of the Board of Directors, auditors, Presidents, Directors and the General Secretary.

2.2 Internet Website

Koç Holding's website (www.koc.com.tr) provides current and historical information in both Turkish and English. There is an Investor Relations section to provide more comprehensive information to current and potential shareholders and brokerage houses. Information on the CMB Corporate Governance Principles is available on our company website.

Some of the topics on the website are as follows:

- Detailed information on the Company
- Strategic targets and principles
- Information about members of the BoD and Executive Management
- Company organization and shareholder structure
- Articles of Association
- Commercial registry information
- Foreign partnerships
- Summary information about business segments and companies
- Frequently Asked Questions
- Periodic financial statements, financial information, key performance indicators and analyst reports
- Annual reports
- Press releases
- CMB Material Disclosures
- Stock information and charts regarding share price performance
- Calculator for investors
- Investor presentations and bulletins
- Economic reports and historical data on economic indicators
- Information on analysts who analyze the Company and analyst reports
- Date, agenda items and information memorandum of the General Assembly Meeting

- Minutes of the General Assembly Meeting and list of participants
- Proxy forms
- Corporate Governance Practices and Compliance Report
- Dividend policy, payout history and capital increases
- Disclosure policy
- Detailed information regarding corporate social responsibility activities
- Glossary
- Calendar

The principles related to the management of our website are part of the Disclosure Policy. In addition, the letterhead of our Company contains our website address.

2.3 Annual Report

The Koç Holding annual report is prepared in detail and according to regulations to ensure that complete and accurate information about the Company's operations reaches the public.

SECTION III- STAKEHOLDERS

3.1. Disclosure to Stakeholders

Our Company, being a holding company, does not have any direct relations with customers, vendors, etc., but has relations with a wide range of stakeholders, due to its subsidiaries and affiliates. Stakeholders are informed of issues that may concern them by means of invitations to regular meetings or via intranet and telecommunication tools. Public disclosures are made by press conferences and through statements and bulletins in the media, while information sharing with employees is realized through various meetings and organizations and the Company intranet site.

By holding our General Assembly Meetings open to all stakeholders, providing detailed information on our website, publishing comprehensive annual reports, issuing press releases and implementing other practices that promote transparency as per our Disclosure Policy, we aim to inform not only our shareholders but also all stakeholders.

Important announcements, management changes and press bulletins are posted on the intranet for the convenience of Group employees. Additionally, some important announcements and executive management messages are sent to employees by e-mail. Furthermore a periodic internal magazine ("Bizden Haberler"), which is also followed by the public, is issued by the Corporate Communications department to increase communication with the employees.

Koç Holding's Chairman of the Board, CEO and Executive Management participate in the "Anatolian Meetings" which are held with the dealership network of our Group companies with the aim of exchanging views and generating ideas. In these meetings, dealers are provided with updates on the developments in the Group and their ideas can be gotten first hand. In addition, our companies also hold regular meetings with their dealership network to ensure a close relationship.

Through the hotline on company intranet sites, shareholders can report practices that violate regulations and ethically inappropriate transactions to the Auditing Group Chairman to be communicated to the Auditing Committee.

3.2 Support of Stakeholders' Participation in Company Management

Group companies hold comprehensive meetings and exchange ideas during the year with dealers and providers and evaluate and work on the suggestions that come up during these meetings.

The results of periodically conducted dealer and customer satisfaction surveys, the details of which are provided later on in the report, are of significant importance to Koç Holding. Improvement of dealer and customer satisfaction are made part of Group companies' management performance targets.

3.3 Company Human Resources Policy

"Our Most Important Asset is our People", the statement of our Founder, Vehbi Koç, best summarizes the basic approach of Koç Group to human resources.

Within the framework of the Human Resources Policy, we are committed to:

- attracting the most competent young and experienced professionals who can carry our Group to the future;
- rewarding achievement through fair and competitive compensation policies and high performance standards,
- making investments for continual employee development,
- improving loyalty of employees to the Company by creating equal opportunities in promotions and rewards,
- creating a working environment that is always peaceful.

Koç Group values its employees and respects the employee rights. The employment contract signed with the employees at the time of recruitment covers the mutual responsibilities of the Company and the employees, whereas Personnel Code describes the working standards and covers the whole process regarding human resources from recruitment to resignation.

The Human Resources department ensures that candidates who meet the competency criteria as described in the Human Resources policies are recruited without discrimination and benefit from equal opportunities throughout their employment. In this context, employees' performance is evaluated, competencies are measured and the improvement and career planning is performed. Work to be done is systematically assessed and the amount that needs to be done is determined. Grades are assigned accordingly, thus enabling appropriate preferences to be made in career management and in wage management. A competition analysis is conducted on a sector basis and compensation policy is determined accordingly in order to ensure that the employees receive competitive salaries. Vested benefits are added to the wage policy. Within the framework of equal opportunities achieved as mentioned above, employees with the highest potential are identified and assigned to higher positions swiftly taking into account the performance and competency evaluation results. Moreover, the executive leadership potential of employees is fairly appraised through the Evaluation Center and employees with executive potential are determined via objective criteria. The evaluation results are gone over at annual Human Resources Planning Meetings, which are attended by companies, and an exchange of ideas concerning all employees is conducted. In addition, contingency plans are reviewed at these meetings.

All employees are able to access the Human Resources Systems that have been prepared for the purpose of implementing these policies over the electronic platform Koç@İnsan. This platform offers an open communication environment where the information of all our employees is managed, and makes policies and practices fair and transparent.

The Integrated Performance Management and Development Planning process that is carried out electronically across the Group over Koç@İnsan effectively spreads the objectives through the Performance Management System, and assures the deployment of Company objectives to the employees and the measurement of the employees' performance in achieving the objectives. Via Koç Compensation System, the rewarding process is managed; and via the Competency Assessment System, competencies are accessed to discover potential employees for future promotions, and data is created for the performance of development plans.

Koç Academy that is part of the Integrated Performance Management and Development Planning process plays an important part in putting Human Resources policies into practice and offers a platform where our employees can plan their individual development, find the chance to improve and follow their own development.

In respect of development of a common culture, over the past ten years, 4,676 of our managers have attended the Group's Leadership Development Program, which aims to improve the competency of our managers who can carry our Group into the future.

Koç Group employees have priority when filling vacant positions that are available at the Group companies. KoçKariyerim is a portal that is used to announce all vacant jobs within the Group and provides our employees to actively participate in shaping their career path.

In line with the regulations, in workplaces with unionized workers including in collective bargaining agreements, there are designated union representatives that manage employee relations. Union representatives cooperate with Human Resources Departments to ensure the sustainability of a peaceful business environment.

Additionally, health and safety issues of Koç Group companies are managed by the Occupational Health and Safety Committee across the affiliates and the Group for the purpose of improving occupational health and safety continually, identifying and eliminating risks in line with the targets set.

Employees show great interest to programs implemented within the framework of policies developed by Koç Group taking into account the importance it attaches to its employees for the purpose of measuring employee satisfaction and loyalty regularly and planning necessary improvement activities accordingly. Examples include KoçAilem program and **Koç Holding Pension and Assistance Foundation** applications which have been created to provide benefits both during and after the working life.

3.4 Customer and Supplier Relations

Since 2003, Koç Holding has been conducting centralized customer satisfaction surveys on a regular basis as a sign of the importance given to this issue. As Turkey's most comprehensive end consumer survey, it encompasses 26 brands in 20 sectors belonging to 11 Koç Group companies as well as 103 brands belonging to the competition. The results of the survey conducted with approximately 40,000 customers in 47 cities which represent Turkey in general are shared with upper and middle management of Koç Holding and Group companies, and are included in the management's performance score cards.

Due to the importance of company-dealer-customer relations at the customer touch points, the level of satisfaction of our dealers is also monitored. The Dealer Satisfaction Survey was conducted for the 8th time this year by an independent research company among 5,600 dealers in 81 provinces Turkey-wide. As is the case with Customer Satisfaction, areas of improvement towards dealer satisfaction are included in the management performance scorecards.

Information about customers and suppliers is kept confidential as a trade secret.

3.5 Ethical Principles and Corporate Social Responsibility

The principles Koç Holding follows in exercising social responsibility as well as corporate governance and ethics were taken one step further by the signing of the UN Global Compact.

Koç Holding aims at being a symbol of trust, continuity and respect for Turkey and its customers, shareholders, dealers and subsidiaries by working with its employees to achieve sound growth and to provide goods and services at universal quality and

standards as it strives to achieve customer satisfaction. Our values guide us on the path of attaining these goals and are shared via our website with the public. They are also effectively disseminated to all of our employees; moreover, in order guarantee their being passed down to future generations, "Principles of Ethical Behavior and Praxis" were drawn up in writing and announced on 11 October 2010 to all Koç Holding employees.

Koç Holding and the Group companies put social responsibility, which was introduced by Vehbi Koç, one of the pioneers of institutionalization in Turkey, into practice through social projects and in the way they do business. Vehbi Koç Foundation, which is Turkey's first private foundation, is continuing to mark its leadership in the fields of culture, art, education and healthcare, setting lasting examples in the institutionalization of these services. Koç Holding and Koç Group companies support the activities of the Foundation through many social responsibility projects they undertake. Koç Group's objective to further improve as a socially responsible corporation was confirmed with the participation in the Global Compact, an official and international framework.

Koç Holding's and the Group Companies' approach to social responsibility is based on the principle espoused by our founder Vehbi Koç: "I live and prosper with my country." Within this context, Koç Group seeks to create value for the society, in which it has grown and developed, through projects that will contribute to the development of the society. Every year, thousands of scholarships are extended to students and numerous projects are initiated in the fields of culture, art, environment and healthcare. In addition to projects in Turkey, Koç Group actively contributes to the promotion of Turkey in the international arena by sponsoring various exhibitions. The Vehbi Koç Foundation is now the sponsor of the Gallery for Ottoman Art in the Metropolitan Museum of Art, one of the world's most prominent museums. The two galleries within the Islamic Art section have been renovated and opened in 2010, bearing the name of the Koç Family. Koç Holding has become sponsor to the Istanbul Biennial for 10 years between 2007 and 2016, an important step to support contemporary art in Turkey. In 2009, where the Vehbi Koç Foundation celebrated its 40th year, Koç Family was honored with one of the most esteemed international awards of its kind, the

Andrew Carnegie Medal of Philanthropy, and in 2011, with the BNP Paribas Philanthropy Award and the Commander of the Order of the British Empire (CBE), for their philanthropic contributions.

Koç Group, which has been a pioneer in Turkey, has acted through the Vehbi Koç Foundation, to establish the first privately-owned museum, the first industrial museum and the first private student dormitory in Turkey, making it a leader in the area of corporate citizenship. Koç Holding and Koç Group companies contribute to society with their projects in a common understanding and shared principles.

Since 2006, Koç Holding activities in education have focused on vocational education, which it believes can create the highest added value. Work initiated through the "Vocational Training Development Cooperation Protocol", signed by the Ministry of Education and Koç Holding in 2006 and which became known by the slogan "Vocational Education: A Crucial Matter for the Nation", is being conducted by Vehbi Koç Foundation, Koç Group companies and more than 350 Koç Group employee volunteers. The "Vocational Education: A Crucial Matter for the Nation" Project began with the commitment to provide internship-supported educational scholarships to 8,000 vocational high school students in order to promote vocational education. Over time, the project developed into a working model based on forging cooperative links between school and business and incorporating the vocational high school coaching system, development modules and educational laboratories. "For my Country" is a Koç Holding social responsibility project that was initiated in 2006 to encourage the spread of individual entrepreneurship as part of the notion of responsible citizenship. It is a corporate undertaken with extensions throughout Turkey. The Project strives to create a participatory attitude that encourages Koç Holding companies, employees, dealers and suppliers to get involved in solving social problems. The "For my Country" Project, which focuses on a particular social need every two years, worked with the Red Crescent in 2010 and 2011 to create awareness of the importance of giving blood and to increase the number of regular volunteer blood donors. As of 30 December 2011, 89,451 people voluntarily gave blood at these blood drives, resulting in the collection of 71,733 units of blood and bringing a ray of hope to the lives of 215,199 persons. These

figures represent the highest level of blood donations achieved through the efforts of a single corporation. Blood donor acquisition campaigns were enriched by local efforts.

Koç Holding and Koç Group companies view the activities and investments relating to corporate citizenship as an integral part of doing business. Approaches to and studies on corporate citizenship are a way of doing business internalized by Koç Group and represent one of the basic foundations of the natural workflow. Koç Group has assumed an important social mission, not just in terms of the large number of people it employs, the economic value it creates and the taxes it pays, but also through its philosophy of corporate social responsibility integrated with sustainable management. Working life, environmentally practices and social development are the three main performance areas of Koç Holding Sustainable Management. Performance in every area is monitored and directed by professional organizations, in light of corporate commitments, policies and targets, using systems and processes created on the basis of international norms. Koç Holding Sustainable Performance Assessment and Reporting System is used in the evaluation of performance. Through the system, which became operational in 2010, the periodic performances of the Holding and affiliated companies are assessed on the basis of hundreds of key performance criteria created for specific areas of operation. The results obtained are periodically reported, in compliance with GRI Standard B-level reporting requirements and the parameters of the UN Global Company, to shareholders for their consideration. Koç Group Corporate Citizenship Reports reflecting this approach are posted on the website of Koç Holding since 2006.

SECTION IV - BOARD OF DIRECTORS

4.1 Function of the Board of Directors

Koç Holding BoD manages and represents the Company by taking its long-term interests into consideration. It does this by engaging in rational and cautious risk management that maintains the balance between the Company's risk, growth and profits at the most appropriate levels through the strategic decisions that it makes. Our BoD defines Koç Holding's strategic goals, identifies the human and financial resources needed and oversees the performance of management.

The BoD meets as frequently as needed to effectively carry out its duties. Moreover, four times a year, Koç Holding holds strategic meetings where, in addition to evaluating financial performance vis-à-vis the budget, developments in strategy are monitored and recommendations. During the year-end performance appraisal process, achievements vis-à-vis targets regarding the realization of company strategies are also measured as part of the overall performance and reward process.

The BoD oversees company operations and assesses them in terms of their compliance to regulations, the articles of association, internal regulations and policies formed. Taking Koç Holding's long-term interests, it makes sure that the Holding properly functions.

4.2 Operating Principles for the Board of Directors

Koç Holding BoD activities are carried out transparently, accountably, fairly and responsibly. The authority and duties of the Board of Directors members are specified in the Articles of Association and conducted accordingly. Their powers are identified in detail in the Holding's authorized signatures list. The duties of the Koç Holding Chairman of the Board and those of the CEO are fulfilled by separate individuals.

Risk Management and Reporting is the responsibility of the Head Finance Office in coordination with other Head Offices. Periodically, meetings are held to go over reports and risks in detail. The main risks that Koç Holding is exposed to are monitored under four main categories, namely financial risks (exchange rate, liquidity, capital, credit, counterparty, and interest rate risk), strategic risks, operational risks and legal risks. The BoD is periodically informed about these risks. Detailed information on risk management can be found in the relevant section of the annual report.

The BoD plays a leading role in maintaining effective communication between the BoD and shareholders, solving disagreements and reaching solutions. Accordingly, it closely monitors the activities of the Corporate Governance Committee and the Shareholder Relations Unit.

4.3 Board of Directors Structure

Koç Holding has pioneered the practice of having Board of Directors members who are not involved directly in the operations of the Company and it chooses them from among internationally successful professionals. Apart from the CEO, Osman Turgay Durak, none of the other members of the BoD is involved in management or otherwise engaged in running the day-to-day operations of the Company. Five of the 14 members of the current BoD meet the criteria qualifying them as independent, except for the criterion of "residing in Turkey".

Board of Directors Members and their Qualifications

Rahmi M. Koç
Honorary Chairman

Mustafa V. Koç
Chairman

Temel Atay
Vice-Chairman

Ömer M. Koç
Vice-Chairman

Semahat Arsel
Member

Dr. Bülent Bulgurlu
Member

İnan Kıracı
Member

Ali Y. Koç
Member

Osman Turgay Durak
Member - CEO

Prof. John H. McArthur
Member

Sanford I. Weill
Member

Prof. Dr. Heinrich von Pierer
Member

Peter D. Sutherland
Member

Kwok King Victor Fung
Member

4.4 The form in which Board of Directors Meetings are Held

Matters which have been made subject to the decision of the BoD in the Company's Articles of Association are determined through notification of executive management and BoD members by the concerned departments, who, in turn determine the agenda for Board Meetings. In the event that any one of the members of the BoD notifies Company Executive Management about a decision that must be taken about a certain matter, the agenda of the meeting is drawn up accordingly.

Matters that are to be discussed at the Company's BoD meeting are collected at the General Secretariat, which consolidates and places them on the agenda.

Koç Holding A.Ş. General Secretariat has been assigned the duties of determining the agenda for the Koç Holding A.Ş. BoD Meetings, preparing Board decisions within the scope of the provisions of TCC 330/II, making disclosures to the BoD and ensuring the flow of communication.

The BoD meets as many times as business dictates. At meetings held in 2011, the Board made a total of 27 decisions including four assessments of strategic issues.

Every member has one vote at BoD meetings; differences of opinion and grounds for opposing votes and specific questions raised by members of the BoD at Board Meetings are recorded in the Resolution Book. Since no opposition or difference of opinion has been declared recently, no public announcement has been made in this regard.

The Articles of Association of the Company stipulate that Board of Directors decisions be made according to general provisions concerning meetings and decisions; however, a majority quorum is required for any decision regarding participation in a new company or the disposal of shares of an existing subsidiary. In these kinds of decisions, the following quorums must be met: 7 on 9-member boards, 8 on 10-member boards, 9 on 11, 12 and 13-member boards, 10 on 14-member boards, and 11 on 15-member boards.

According to Articles 334 and 335 of the TCC, approval of the General Assembly should be sought in order for the Chairman and the members of the BoD, directly or indirectly, to engage in the transactions covered by the scope of activities of the Company and to become shareholders in companies performing such transactions.

No problem has been faced within the period in relation to permissions given to members of the BoD in this regard.

4.5 Number, Structure and Autonomy of the Committees formed in the Board of Directors

Board Committees are formed at our Company with the aim of ensuring that the BoD is able to fulfill its duties and

responsibilities more effectively, and these committees work under certain procedures. Decisions taken by the committees following independently-performed studies are presented to the BoD as a proposal, and the final decision is made by the BoD. These committees work under the following principles:

Management Committee

The Management Committee supports the BoD in fulfilling its duties and responsibilities in carrying activities required by business life. The decisions taken by the Committee are evaluated and approved by the BoD in accordance with the Company Articles of Association.

In principle, the Committee may not take decisions or make revisions about matters previously decided upon by the BoD or on subjects that are contrary to the Strategic Plan. The Committee shall bring the decisions it has taken between Board Meetings to the next meeting of the Board and have them approved.

The Management Committee is chaired by the Chairman of the BoD, and CEO is a member of this committee. While the Management Committee may meet in such frequency as necessitated by the developments, it may meet whenever it is deemed proper by the Chairman. In addition, when the Chairman of the BoD deems it necessary, it attends general and private disclosure or evaluation meetings related to the Group's activities (Planning Council, Annual Budget and ad hoc meetings, etc.).

The Management Committee is comprised of five persons including Honorary Chairman of the Board of Koç Holding A.Ş., Chairman of Koç Holding A.Ş., two Vice-Chairmen and the CEO.

Audit Committee

The Audit Committee fulfills the functions stipulated in the Capital Market Regulations for the audit committee. Within this frame, it conducts the disclosure and independent audit of the accounting system and financial information of our Company and the supervision of the operation and efficiency of the internal control system of the Company. Selection of the independent audit company, preparation of independent audit contracts and initiation of independent audit process, and supervision of the studies of the

independent audit company at every stage are all carried out under the supervision of the audit committee.

The Audit Committee meets at least four times a year or more when necessary as it has to submit a written report to the BoD containing its assessments and the views of the responsible executives of the Company and of the independent auditors in relation to the truth, accuracy and compliance of annual and interim financial statements to be disclosed to public with the accounting principles adopted by the Company.

Audit Committee is not only responsible for conducting internal and external auditing, but also for seeing to it that recording and reporting procedures comply with laws, rules and regulations pertaining to them and that they conform to the principles of the CMB and IFRS. This Committee is comprised of the Chairman of the Committee and non-executive members.

Corporate Governance Committee

This Committee oversees compliance to Corporate Governance Principles, assesses the reasons behind non-compliance in some areas, and proposes improvements to the BoD.

Currently, the Committee consists of two members including the Chairman of the Committee and meets at least two times a year and more frequently when the need arises.

The duties given in the Corporate Governance Principles to the Candidate Nominating Committee, the Early Risk Detection Committee and the Salary Committee are fulfilled by the current Corporate Governance Committee.

4.6 Financial Benefits Granted to the Board of Directors

The benefits granted to the members of the BoD are determined at the General Assembly Meeting, which is open to the press and announced to the public by means of Meeting minutes and in the footnotes to our financial statements.

No stock options or company performance-based payment plans are used in the determination of fees to be paid to independent members of the BoD.

Koç Holding does not get involved in transactions that might lead to conflict of interest such as extending loans to members of the BoD or executives, or providing collateral on their behalf.