

Corporate Governance Principles Compliance Report

PART I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE DECLARATION

Corporate Governance Principles Compliance

Akçansa Çimento Sanayi ve Ticaret A.Ş. has exercised due diligence in implementing the principles stated in the "Corporate Governance Principles" published by the Capital Market Board (CMB) during the period between January 1, 2017 and December 31, 2017.

It is continued the full compliance studies on the corporate governance principles in accordance with the resolutions made in the meetings held by the Corporate Governance Committee.

PART II - SHAREHOLDERS

2.1. Investor Relations Department

Our company has set up a unit in order to maintain communication and contact with investors as well as to serve them. The department is managed by Steffen Schebesta, Assistant General Manager (Finance) and it is made up of Hüsnü Dabak, Director of Financial Affairs (0216 571 30 25, husnu.dabak@akcansa.com.tr), Ayşen Öksüzoğlu, Corporate Governance Specialist (0212 866 11 69, aysen.ozgurel@akcansa.com.tr); Eralp Tunçsoy, Financial Planning & Analysis Director (appointed on 31.01.2017 and resigned on 26.05.2017.) (0216 571 30 67 eralp.tuncsoy@akcansa.com.tr); Ülgen Eryürek, Control and Investor Relations Director as from 26.05.2017 instead of Eralp Tunçsoy (ulgen.eryurek@akcansa.com.tr) (0216 571 30 17); Banu Üçer, Corporate Communication Process Manager (0216 571 30 13, banu.ucer@akcansa.com.tr) and Onur Kerem Günel, Legal Counsel. Due to the fact that Hüsnü Dabak is the person fulfilling the duties and responsibilities as already defined in the communiqué as the Company's Director of Financial Affairs in accordance with CMB Corporate Governance Communiqué II-17.1 and has competence to manage the responsibility of position of manager of Investor Relations Department, he has been appointed as manager of Investor Relations department and also, member of the Corporate Governance Committee.

Those concerned can also be reached through fax at 0216 571 30 31. The Investor Relations Department handles capital increases, dividend payments to shareholders, and disclosure of material events within the scope of the public disclosure project. Shareholders' queries in relation to the date of capital increase, dividend payment percentages and commencement date of dividend distribution as well as their participation in General Meetings, save for confidential information and trade secrets, are responded to in writing, verbally and via e-mail in an accurate, complete, intelligible and interpretable manner upon request synchronously. The company discloses its operating results on a quarterly basis. The corporate website at www.akcansa.com.tr has been launched to offer shareholders more detailed information on the company's operations more regularly, and to give them access to all company-related data in accordance with related regulation.

Upon request, regular meetings were held with all of the investors during the reporting period.

1 road show, 1 Conference Call and 6 In house (office visits) took place as from the end of 12th month in 2017.

The company strives to fulfill its responsibilities of public disclosure and transparency as a publicly traded company. The Shareholder Relations Department is staffed with specialists who are tasked to provide information to investors regarding the company's financial information. Utmost effort is made to abide by the Turkish Commercial Code and Capital Market legislations so as to ensure participation from the shareholders at the General Assembly Meetings. Disclosure Policy revised by the Corporate Governance Committee for Public Disclosure in accordance with Capital Market Board's Communiqué Principles with Serial No. II.15.1 in the Company's Disclosure Policy with the Board of Directors' Resolution dated December 19, 2014 and numbered 975 has been submitted for information of Partners in the Public Disclosure Platform as well as the Company's Web site.

According to Provisional Article 6 of the Capital Market Law ("the Law") amended by Article 157 of the Law No. 6111 entered into force and published in the Official Gazette dated February 25, 2011 and numbered 27857, and the fourth article of Series II No: 13 of the Law No. 6362 (The capital market instruments decided to be dematerialized are obliged to be delivered within the framework of the principles set out by the Board. The capital market instruments that are delivered become void automatically. The undelivered capital market instruments can not be

traded in the stock market after the decision of dematerialization, the stockbrokers can not mediate purchase and sale of these capital market instruments and their participation certificates can not be taken back. The capital market instruments that have not been delivered until the end of the seventh year following the date on which the registration begins to be followed are passed to the Investor Compensation Center (YTM). The limited rights therein are deemed to have ended automatically. These are sold within three months after they are transferred to the account of YTM) and within the framework of provisions about dematerialization of Capital market instruments, and the Central Registry Agency's General Letter dated 28.04.2011 and numbered 551; all share certificates that have not been dematerialized until December 31, 2012 were passed to the YTM by the law at this date, and it has been reregulated the procedures and principles on the payments to be made by the YTM to the right holders applying pursuant to this Regulation due to the capital market instruments of which ownership has passed to the YTM because they have not been delivered until the end of the seventh year following the date on which the registration begins to be followed with the Regulation on Procedures and Principles Regarding the Payments to be Made to the Investors by the Investor Compensation Center Upon Partial Cancellation of the Fourth Paragraph of the Article 13 of the Capital Market Law No. 6362 as promulgated in the gazette dated September 7, 2016 and numbered 29824 prepared based on the provisional article 10 of the Law No. 6362 dated 6/12/2012 regarding automatic termination of all rights of shareholders on such share certificates in aforementioned date. In addition, Central Register General Letter dated 19/9/2016 and numbered 759 was published by the Central Registry Agency regarding the subject.

2.2. Exercising Shareholders' Right to Obtain Information

According to their preferences, shareholders upon request are provided information in writing or verbally. As per the Capital Markets legislation, announcements in relation to shareholders' exercise of their rights are made through the Public Disclosure Platform in the Turkish Trade Registry Gazette. Announcements are also posted at www.akcansa.com.tr. Pursuant to CMB communiqués, the company shall be subject to auditing by an independent audit company. Appointment of a special auditor has been stipulated as a right in the Articles of Association. As of December 31, 2017, no request has been made for the appointment of a special auditor. The Audit Committee submits the independent audit reports to the Board of Directors for approval. Reports that are approved by the Board of Directors are announce to the public through the Public Disclosure Platform. Reports that have been annually audited are submitted for the approval of the General Assembly and then, announced at the www.akcansa.com.tr website. According to Article 1524/1 of the Turkish Commercial Code No. 6102, an "Information Society Services" link has been created at the corporate website, pursuant to the provision that requires an area to be reserved for Information Society Services to make the legally required announcements at the website. Pursuant to Capital Market Legislation, the Audit Committee nominated by the company's Board of Directors functions in accordance with procedures. Utmost care is taken to ensure that the aforementioned rights, which are stipulated by the Corporate Governance Principles, and the fundamental rights of the shareholders, which are set forth under the Turkish Commercial Code and the Capital Market Law, are exercised.

During the period, the shareholders requested information about the company's capital increases in previous periods, profit distributions and operating results for the related period. Requested information was provided to the shareholders verbally or in writing, based on their preferences. Shareholders can also follow-up current information about the Company from the corporate website at www.akcansa.com.tr, as well as from material event disclosures published by the Public Disclosure Platform (www.kap.gov.tr).

Until December 31, 2017, the Shareholder Relations Department responded to the requests received from the shareholders through nearly 50 phone calls, emails and one-on-one meetings. For this purpose, information that might be of concern to shareholders was posted on www.akcansa.com.tr throughout the required disclosure processes.

Corporate Governance Principles Compliance Report (continuing)

2.3. General Assembly Information

When making the invitation for the General Assembly, the company complies with the provisions of the Turkish Commercial Code, CMB legislation and the Articles of Association. Invitation proceedings are announced in the Trade Registry Gazette three weeks prior to the General Assembly and to the publishing date of the announcement. They are announced at the corporate website and the Public Disclosure Platform. The company's share certificates are registered. Voting on the agenda is made according to the 51 percent Commercial quorum ratio pursuant to the Articles of Association of the company. The approval of the General Assembly of Shareholders is sought in important matters such as amendments to the Articles of Association, mergers, demergers, election of the Board Members and auditors, dividend distribution, release of the Board Members and Auditors from liability for their activities, and approval of the annual report. Information such as minutes of General Meetings and attendance rosters are made available on the corporate website. The Annual Report regarding the General Assembly, financial statements, dividend proposal, agenda of the General Assembly, proxy form and agenda documents are announced at the company's head office, in the Turkish Trade Registry Gazette as well as on the corporate website at least two weeks prior to the General Assembly. Pursuant to the Corporate Governance Principles, invitations to the General Assembly are submitted for the information of the investors three weeks prior. The General Assembly took place with over 81,74 percent quorum at the Sabancı Center 4. Levent/ISTANBUL address on March 29, 2017 within the year of 2017. Meeting invitation was published in the Turkish Trade Registry Gazette's issue No. 9273, dated February 28, 2017. Documents regarding the General Assembly were submitted for the information of the shareholders at the www.akcansa.com.tr website three weeks prior. Shareholders did not put forth any agenda item suggestions requiring a written response. The agenda includes articles on providing information regarding the donations made during the period, and on setting an upper limit for donations and assistance to be made in the next fiscal period. During the 2017 General Assembly Meeting, all shareholders were given the opportunity to speak and ask questions, and the Chair of the General Assembly answered all questions without a time limitation. The questions asked and answers given during the General Assembly meeting were announced to the public in the corporate web site in accordance with Article 1.3,5 of CMB's "Corporate Governance Principles" (II-17.1). Minutes of the General Assembly, Attendance List and Amendments to the Articles of Association are available for the shareholders at all times at www.akcansa.com.tr.

Extraordinary General Assembly meeting was not held in the period between January 1, 2017 to December 31, 2017.

Decisions of critical importance in the Turkish Commercial Code are submitted for the approval of the shareholders at the General Assembly.

2.4. Voting Rights and Minority Rights

The Articles of Association does not have privileged or cumulative voting rights.

The Articles of Association does not contain any provisions offering cumulative voting rights for the current shareholding percentages and for partnership structure, as this is thought to be detrimental to the company's harmonious management structure. The matter will be addressed at the General Assembly in the event that it is regulated by the law to prevent abuse of cumulative voting right.

2.5. Dividend Distribution Right

The company has in place a publicly disclosed Dividend Distribution Policy. This policy covers the following:

Akçansa Çimento Sanayi ve Ticaret A.Ş.'s Dividend Distribution Policy has been determined within the frame of provisions of Turkish Commercial Code, Capital Market Legislation and other related legislation as well as article concerning the dividend distribution in our Articles of Association in accordance with middle and long term strategies and investment and financial plans of Akçansa Çimento Sanayi ve Ticaret A.Ş. in consideration of the country's economic situation and sectoral situation and by observing the balance between expectations of shareholders and Corporate requirements.

It has been adopted to determine the dividend amount to be distributed in accordance with the decision made at the General Assembly however, it has been adopted as principle to distribute dividend in cash and/or as free dividend at the rate of minimum 50 percent of distributable profit to the partners.

Corporate Governance Principles Compliance Report (continuing)

2.5. Dividend Distribution Right (continuing)

It has been agreed to distribute the dividends equally as soon as possible regardless of complete of existing shares as well as their issuance and acquisition dates however they shall be distributed to the shareholders on the date determined by the General Assembly following the approval of General Assembly within determined legal periods.

In the event that it is authorized by the General Assembly pursuant to related Article 33 of our Articles of Association, it is also possible to distribute dividend advance to the shareholders with the Board of Directors' resolution as well.

General Assembly may transfer net profit partially or completely to extraordinary reserve fund. In the event that Board of Directors of Akçansa Çimento Sanayi ve Ticaret A.Ş. proposes not to distribute profit to the General Assembly, information about reasons of such situation and using manner of undistributed profit are informed to the shareholders in the General Assembly Meeting. Likewise, such information is also stated in the annual report and web site and also disclosed publicly.

Dividend distribution policy is submitted for approval of shareholders in the General Assembly Meeting. This policy is reviewed annually by the Board of Directors in terms of any negativity in the national and global economical conditions and in view of future projects and available funds. Amendments to this policy are submitted for approval of the shareholders at the first general assembly meeting after the amendment and disclosed publicly in the web site.

This information was presented to the shareholders prior to and during the General Assembly. Dividend Distribution Policy was presented to Shareholders at the General Assembly dated March 26, 2014. Furthermore, it is also posted within the Corporate Identity and administration information area at www.akcansa.com.tr web site.

Article 33 stipulates the manner of dividend distribution as per the provisions of the Articles of Association of the company. The company's dividends are paid within the legally-prescribed periods of time. There are no privileged shareholders in regards to dividend distribution.

2.6. Transfer of Shares

The Articles of Association of the company does not contain any clauses that restrict transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Web Site and its Content

The company has a registered web site.

Internet address: www.akcansa.com.tr

The site contains the matters stated in the Corporate Governance Principles. The corporate website is also available in English. This section has been provided for the international investors.

Under the Corporate Governance Principles, the company maintains a website accessible to all shareholders and investors at www.akcansa.com.tr. The corporate website contains material such as corporate information, products and services, management systems, financial indicators, annual reports, investment center, financial statements, disclosure policy, environmental operations, social responsibility activities and human resources policy.

Corporate Governance Principles Compliance Report (continuing)

3.1. Corporate Web Site and its Content (continuing)

The main content of the website is as follows:

- ✓ Detailed information on corporate identity
- ✓ Vision and Mission
- ✓ Information on the Board Members and the executive team
- ✓ Organization and shareholding structure of the company
- ✓ Articles of Association of the company
- ✓ Trade registry information
- ✓ Financial data
- ✓ Press releases
- ✓ Material Event Disclosures
- ✓ Date and agenda of the General Assembly, explanations of the agenda items
- ✓ Minutes of the General Assembly and the attendance list
- ✓ Sample proxy form
- ✓ Corporate Governance practices and compliance report
- ✓ Dividend distribution policy and its history, and capital increases
- ✓ Disclosure Policy
- ✓ Related party transactions report
- ✓ Remuneration Policy for the Board Members and the Executives
- ✓ Frequently Asked Questions

3.2. Annual Report

The company prepares the Annual Report in compliance with the scope of the Corporate Governance Principles, and in enough detail so as to allow the public to obtain complete and accurate information about the company activities.

Corporate Governance Principles Compliance Report (continuing)

PART IV - STAKEHOLDERS

4.1. Informing the Stakeholders

The company has a disclosure policy prepared in accordance with CMB's Corporate Governance Principles. Disclosure policy was announced publicly with the Material Event Disclosure in April 29, 2009 and published at www.akcansa.com.tr as from such date. Disclosure Policy revised by the Corporate Governance Committee for public disclosure in accordance with Capital Market Board's Communiqué Principles with Serial No: II.15.1 in the Corporate Disclosure Policy with the Board of Directors' Resolution dated December 19, 2014 and numbered 975 was submitted for information of Partners at the Public Disclosure Platform.

Disclosure Policy was formed and approved by the Board of Directors within the frame of CMB's Corporate Governance Principles. Follow-up, supervision and development of public disclosure and disclosure policy is under authority and responsibility of the Board of Directors which is consisting of Mehmet Hacıkamiloğlu (Chairman of Board of Directors), Daniel Gauthier (Vice-Chairman of Board of Directors), Hayrullah Hakan Gürdal (Member of Board of Directors), Serra Sabancı (Member of Board of Directors), Atıl Saryal (Member of Board of Directors –Independent), Yavuz Ermiş (Member of Board of Directors –Independent). Steffen Schebesta, Assistant General Manager (Finance) under the body of General Directorate has been appointed in order to follow and to supervise all kinds of issues concerning the public disclosure. 6th and 12th months' financial tables that were passed through external audit, and 3rd and 9th months' financial tables that were not passed through external audit are announced publicly in accordance with this policy. Reports prepared in accordance with the consolidate of International Financial Reporting Standards (UFRS-UIMS) were announced publicly within the periods stated by CMB. Public disclosure of corporate information is made through press releases, electronic mail messages, mobile communication, interviews made with media institutions and news agencies, announcements on the web site, advertisements as well as brochures during the reporting period. It was ensured to access on web site as recommended by CMB's Corporate Governance Principles on the public disclosure under the scope of Disclosure Policy.

STAKEHOLDERS

PARTNERS

Stakeholders learn about company-related developments via public disclosures made in accordance with applicable legislation. Pursuant to the Capital Market Board's Communiqués and the provisions of the Turkish Commercial Code, the company announces matters such as the General Assembly and Extraordinary General Assembly meetings, capital increase and dividend distribution through: the Trade Registry Gazette; material event disclosures; and other legal instruments determined by the law, within legally prescribed periods of time as per the applicable legislation. Some other means of disclosure are: press conferences, press releases, interviews given to the media and the Internet. Except for confidential data and trade secrets, information is provided simultaneously in an accurate, complete, intelligible and interpretable manner.

CUSTOMERS

The company attaches great importance to products, services and quality. Accordingly, it constantly strives to carry out activities that improve customer satisfaction. Customer satisfaction is measured by regular surveys. Customer-focused training and seminars are organized periodically. In addition, the company maintains its research and development activities.

Corporate Governance Principles Compliance Report (continuing)

PART IV - STAKEHOLDERS (continuing)

4.1. Informing the Stakeholders (continuing)

EMPLOYEES

All practices related to the employees are carried out according to the laws governing work life.

Hiring, promotion, training and performance improvement policies, as well as various practices have been documented.

QDMS infrastructure is used at Akçansa for the purpose of following the development of the Integrated Management Systems, consisting of Quality, Environment, Energy and Occupational Health and Safety Management Systems and all employers have easy and continuous access to the system within their authority limits.

Stakeholders learn about company-related developments via public disclosures made pursuant to applicable legislation.

Company employees are also provided information about meetings held in their areas of expertise and in areas of interest, as well as about seminars and training through the Internet.

4.2. Participation of Stakeholders in Management

Employees participate in management through periodic meetings (i.e. communication meetings, anagement meetings, functional meetings, discussion sessions with the General Manager), annual goal-setting, performance appraisal, development planning meetings and the suggestion system. Questionnaires are also regularly conducted to measure employee satisfaction and to receive feedback. Furthermore, the satisfaction of dealers and customers are measured at certain intervals. Accomplished teams are rewarded each year according to the Award System, which was introduced in 2008.

4.3. Human Resources Policy

Akçansa, which believes that the most important role in achieving the success is the value granted to the human resources and considers its employees as basis of all its activities, has adopted to be an employer which has qualified manpower with the practices providing continuous development and high performance, and is exemplary in its sector and preferred all the time.

Akçansa, which manages contemporary Human Resources practices within the cooperation of Sabancı Holding and HeidelbergCement and creates an environment making employee satisfaction and efficiency possible, bring employees together under the identity of being an "Akçansa member" with trust and respect each other.

While Akçansa determines its Human Resources strategies and priority targets, it considers business targets of the company as well as environment created by the national and global economy and conditions concerning cement, ready-mixed concrete and aggregate sectors separately.

Qualifications of the employees such as religion, language, race, religious sect, sex, physical conditions and lifestyle choices can not be questioned in the equitable work environment provided by Akçansa and any practice that shall be perceived as discrimination can not be included. There is not any negative feedback about discrimination from the employees in the past.

The group collective bargaining agreement that was signed for the period of 01.01.2016 - 31.12.2017 between the Union of Cement Industry Employers (CEIS) to which we are member and T.Cimse-Is Union was terminated, and a new group collective bargaining agreement was concluded for the period of 01.01.2018 – 31.12.2019 on 31.01.2018.

Corporate Governance Principles Compliance Report (continuing)

PART IV - STAKEHOLDERS (continuing)

4.4. Ethical Rules and Social Responsibility

The ethical principles embraced by Sabancı Holding, one of our partners, have also been adopted by our company. The employees are informed about the rules through the booklets and educational training. Current feedback is obtained from the employees through the web-based "Sa-Etik Year-End Application." Ethical rules are disclosed to the public by being published in the following sections of the corporate website.

<http://www.akcansa.com.tr/surdurulebilirlik/is-etigi-kurallarimiz/>

<http://www.akcansa.com.tr/yatirimci-merkezi>

Our company makes every effort to comply with the international standards for the protection of nature and the environment in according with its sustainability strategy.

Maintaining the environmental awareness and the development in harmony with the environment is one of Akçansa's main objectives. As stated in our ISO 14001 environmental policy, our goal is to comply with legal requirements, to provide necessary infrastructure and resources therefor, to enforce necessary sanctions for the contractors we work with, and to raise awareness by providing awareness training, to implement waste management in the most effective way; to classify and dispose of hazardous and non-hazardous wastes for this purpose, to recycle those that can be recycled, to dispose of those that can be disposed of in the licensed disposal facilities, to reduce the amount of waste in this way, to burn our own wastes in our facilities under our licenses or permits, to take the necessary precautions by evaluating the damages of wastes to air, water and soil, and to minimize these damages in this manner. We consider the environmental factor practically in all our facilities. There are lawsuits that have been filed against us related to environmental issues.

Akçansa's Büyükçekmece and Çanakkale cement plants transform various waste into environmental and economic value. They are the first plants granted with Ministry of Environment and Forestry's R134- 001 and R117- 001 licenses, authorizing the use of alternative fuel. Incineration of waste at cement plants serves to conserve natural resources and significantly reduce carbon dioxide emissions, while producing a solution for the highly challenging issue of waste disposal.

Furthermore, concrete waste, which is found in the facilities and inside the vehicles in the recycling systems that are built in our ready-mix facilities, is separated as aggregate and water to be re-used in production. In this way, natural resources are protected and production operations continue through an environmentally-conscious system without producing waste. "Mobile waste depots" which we started to use in our Ready-mix project facilities are the first plants in the sector and they are the example of good practice.

Corporate Governance Principles Compliance Report (continuing)

PART IV - STAKEHOLDERS (continuing)

4.4. Ethical Rules and Social Responsibility (continuing)

As the first company in the cement sector to process waste in accordance with all waste disposal legal requirements with a sustainable growth target, and the first company to make investments in this field, Akçansa created the "CO2 Single Carbon, Double Oxygen" project. The project's slogan is "real value can be produced by both waste collection and proper waste disposal." "Send your waste to us!" This is the project's appeal to all companies, local public and private institutions, and municipalities that produce waste in the cities where we operate. The objective of the project is to help these companies in reducing their carbon footprint through the healthy and safe disposal of waste. This project won us an award from the Corporate Social Responsibility Association of Turkey (CSR Turkey) in the Sustainable Waste Management and Communication field.

Akçansa carries out all its activities by observing the environment and the society and manages its activities in line with a corporate strategy under the heading of "sustainability". The company aims at contributing to the creation of a safer and more prosperous future by increasing the quality of life of the society in which it is living. In this regard, Akçansa acts with awareness that being the leading player in the cement industry requires a responsibility beyond creation of economic added value. As a responsible corporate citizen, Akçansa is working on creating value in the areas such as health, culture, arts, education, sports and environment and is undertaking social projects.

The social responsibility project "Benim Mahallem" that was carried out in cooperation with Büyükçekmece District Governorate, Büyükçekmece National Education Directorate and Tüvana Education Foundation for Children Who Want to Study (TOÇEV) entered into the third year. The project, initiated in December 2015, has reached 25 thousand students, parents and teachers from 68 schools. This figure is targeted to reach 30 thousand people at the end of the academic period of 2017-2018.

The students are informed about the ways in which students can communicate better at school, at home and with their friends, and the parents are informed about the issues challenged to raise their children, and required to get expert opinions by TOÇEV's specialist psychologists at the Mobile Training Center.

Technology addiction seminars describe how children should be directed at using technology properly. Children are ensured to know their feelings and to notice how they react in their bodies against some feelings through seminars on "I know my body". Trainings are provided to the adolescents and their families in the situations related to identity anxiety, feelings and anger control in this period. In addition to these programs, first aid awareness seminars are also organized for teachers. It is targeted to reach 2500 teachers in 2018.

With the project, more than 50% of the target mass in the region was reached and a total of 15 thousand hour group trainings were provided to the students in the subjects of "Anger Control, Attention Control, Self Expression, Examination Anxiety Management". It was concluded in the study after the trainings that parents' awareness of the wrong behaviors they had applied to their children was increased, and they learned the right behavior methods considerably. It was observed that children had a positive change of 18% in the self-expression difficulty tests, 22% in the examination anxiety tests, 30% in the anger level tests and 13% in the attention problem level tests.

"Benim Mahallem" Project of Akçansa was awarded the "Best Corporate Social Responsibility Project" by JCI Culture Association of Young Leaders and Entrepreneurs. The project awarded by the Corporate Social Responsibility Association was also granted the Stevie award in the international area.

Since its establishment, Akçansa has continued to carry out its activities in the Volunteer World and continues to add value to the society by taking care to leave "meaningful" traces to the world and he humanity by observing the environment and society in all its activities.

'Yarınları Dönüştüren Çocuklar' Project

Within the scope of the project, Akçansa volunteers are carrying out activities to teach children how to understand their places in the society and to take individual responsibility for a sustainable future.

4.4. Ethical Rules and Social Responsibility (continuing)

Information on how to use resources consciously to contribute to a sustainable world, such as separating wastes at resource, recycling, and generating energy from waste, is provided to the students in fourth grade of the primary school. By putting recycling boxes in the schools, information that is theoretically learned in the lesson is put into practice. 34 volunteers and 5 thousand students have been trained up to now with the project that will start the fourth period in the academic period of 2017-2018.

Vocational High School Coaches

Akçansa joined the Vocational High School Coaches Program in cooperation with the Private Sector Volunteers (OSGD) in order to expand the visions of the vocational high school students and to make them successful in the future. Within the scope of the program, 10 Samsun volunteers who completed their trainings contributed to the personal and professional developments of 50 students from Samsun Atakum Vocational High School and coached them for 2 years to prepare them for business world.

'Gönüllü Okuyucu' Project

Akçansa Volunteers, who support the 'Gönüllü Okuyucu' Project, started by the Boğaziçi University Technology and Education Center for the Visually Handicapped (GETEM), are reading books for the visually handicapped individuals by creating an audio library. Akçansa Volunteers are able to read the books they choose wherever they want whenever they want, thanks to the mobile application after they have received the reading education. Audio and e-text books produced for the visually handicapped are presented to readers via the internet. The 'Gönüllü Okuyucu' Project, which started with 23 volunteers in central office, will continue with new volunteers in Büyükçekmece, Çanakkale, Ladik and Karabük.

'Öğrenen Çocuk: Sorumlu Birey' Project

'Öğrenen Çocuk: Sorumlu Birey' Program which aims to raise awareness of children, who are leaders of today and tomorrow, about concepts such as responsible thinking, self-expression, communication, empathy, equality was developed by the Association of Private Sector Volunteers - ÖSGD. The program will be implemented by the volunteers at two schools in Kağıthane and Ataşehir as five weeks in both semesters in the academic period of 2017-2018 and includes democracy and participation, volunteerism and solidarity, gender equality, financial literacy, safe internet use, and environmental awareness. 6 Akçansa volunteers, who complete the trainings, will participate in the application for 5 weeks in total with 2 hours per week and will support the 'Öğrenen Çocuk: Sorumlu Birey' Program.

Akçansa organized the 7th "Betonik Fikirler Proje" competition, which was held in the 6th time in 2016, in order to introduce the university students to the sector, to ensure the students to show their creativity and to add value to the field they are studying.

Within the scope of the Carbon Disclosure Project (CDP), which is an effective platform for transferring environmental activities to stakeholders in the international arena, it has also been voluntarily participated in both Climate Change and also, Water Management programs. CDP Climate Change and Water programs were launched in November and December. While the average of the programs attended by 2,400 companies worldwide is announced as "C" in 2016, Akçansa continues to lead the sector in sustainability by getting "B level" points in both programs.

We, as Turkey's leading cement producer, have the Sustainability Report including the progresses made during the period of 2007-2009 as part of our Sustainability activities. Our Sustainability Report is the first report published in the cement sector in Turkey. This report was prepared at the 'B' level in line with the principles of the GRI-Global Reporting Initiative which is a reporting standard used by leading companies operating globally, and we, as Akçansa, were called as the first company approved at this level with the first sustainability report. The Second Sustainability Report was published in 2012 including the working and performance results between 2010-2011 and the third report covering the activity period of 2012-2013 was published in October 2014.

We provided our stakeholders with our 4th "Sustainability Report", which we prepared at the basic level in compliance with the GRI G4 guidelines, and contained our environmental, social and economic activities covering the years of 2014-2015, in December 2016.

Raw materials in the cement production are obtained mainly from natural sources. Protection of biodiversity in our mining areas is among our primary environmental goals. We regularly carry out land arrangement, forestation and plantation in the areas where our production activity finished every year. Additionally, we organized the second "Biodiversity Contest" in Turkey in 2016. With this contest, our goal is to raise awareness about biodiversity and to ensure our youths to develop creative projects. Project awards ceremony was held in November, 2016. The National Jury determined five projects that advanced to final among the 24 projects that applied for the second of the "Biodiversity Contest". The three winner projects were awarded prizes in the ceremony held on November, 28.

Energy efficiency has critical importance in the cement industry that is an energy-intensive industry. In order to reduce energy consumption in our factories, we have goals, energy performance indicators for monitoring and measuring our efficiency. In order to bring a more systematic approach to the energy management and to be ready for our obligations concerning Greenhouse Gas Emissions, we received ISO 50001 Energy Management System certificate including "3 factories and Canakkale port facility" in 2013 by making our existing measuring and monitoring system suitable for the international standards. It is the first certificate in terms of its content in the industry.

Our plants operate with a view to enhance the quality of community service offered by nearby municipalities, schools and public institutions and to provide financial support.

Furthermore, thanks to the donations it makes to the H. Ö. Sabancı Foundation as part of its social responsibility awareness, the company contributes to the country's social and cultural development as well as its immediate circle.

PART V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

All members of Board of Directors are not executive members. Work distribution of Board Members is arranged as follows: The Annual Report provides personal and background information of the Board Members. Pursuant to CMB communiqués on Determination and Implementation of Corporate Governance Principles, the Corporate Governance Committee has been established; according to the provisions of the communiqué, it has been resolved to appoint Independent Board Members Atıl Saryal as the Chairman of the Corporate Governance Committee and Yavuz Ermiş and Husnu Dabak as the Corporate Governance Committee Members, and to empower the Committee to carry out the duties of the Nomination and the Remuneration committees as well.

The Board of Directors was elected at our Ordinary General Meeting held on March 24, 2015.

New appointments were approved and distribution of tasks was made in our Ordinary General Meetings held on March 29, 2016 and March 29, 2017.

Board of Directors

Mehmet Hacıkamiloğlu	Chairman of Board of Directors
Daniel H.J. Gauthier	Vice-Chairman of Board of Directors
Hayrullah Hakan Gürdal	Member of Board of Directors
Serra Sabancı	Member of Board of Directors

It was resolved to elect Atıl SARYAL and Yavuz ERMiŞ

AS INDEPENDENT MEMBERS.

Board Members may assume other task(s) outside of the company. This matter is not governed by specific rules, nor is there any restriction thereupon.

The General Assembly has resolved to allow the Board Member to perform transactions pursuant to articles 395 and 396 of the Turkish Commercial Code.

Corporate Governance Principles Compliance Report (continuing)

PART V - BOARD OF DIRECTORS (continuing)

5.2. Operating Principles of the Board of Directors

During the period between January 1, 2017 and December 31, 2017, the Board of Directors of the company met 64 times, of which 4 were conducted face-to-face and 49 were made with written approval in keeping with the Turkish Commercial Code and the provisions of the Articles of Association. The Board of Directors' agenda is determined as a result of the meetings held between the Chairman of the Board of Directors and the current Board Member and the General Manager. Pre-notification Committee prepares a document file containing the agenda and its items a week before to submit to the Board Members so that they can perform the necessary reviews and work.

During the meetings that were held during the period between January 1, 2017 and December 31, 2017, there were no opposing views against the resolutions taken by the Members of Board of Directors.

Members who did not have a reason to be excused actively participated in the Board of Directors' Meetings. No questions were recorded in the minutes because no questions were posed by the Board members. Board members have not been granted weighted voting rights and/or veto rights on related decisions.

5.3. The Number, Structure and Independence of the Committees Established at the Board of Directors

As of the period between January 1, 2017 and December 31, 2017, there is an Audit Committee reporting to the Board of Directors. Following the Ordinary General Meeting held on March 24, 2015, as per the Board of Directors' resolution No. 1000 dated March 24, 2015, Independent Board Members Yavuz Ermiş and Atıl SARYAL were appointed as the Chairman and the Member of the Audit Committee respectively. As per the Board of Directors' resolution No. 1001 dated March 24, 2015 and pursuant to the CMB Communiqués, it was resolved to establish a Corporate Governance Committee and to appoint Independent Board Members Atıl SARYAL and Yavuz Ermiş and Husnu Dabak, who is Financial Affairs Director, as the Chairman and the Members of the Committee respectively in accordance with the communiqué provisions. It was resolved to have this committee carry out the duties of the Nomination Committee and the Remuneration Committee as well. As per the Board of Directors' resolution No. 1005 dated March 26, 2015, the Early Detection of Risk Committee was established, and Atıl SARYAL and Yavuz Ermiş were appointed as the Chairman and the Member of the Early Detection of Risk Committee respectively. The Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee perform their duties according to the internal regulations. There were no conflicts of interest in the Audit Committee during the period between January 1, 2017 and December 31, 2017 due to current member structures.

The Audit Committee convenes at least four times a year with at least three-month intervals; it records the meeting minutes and submits them to the Board of Directors.

The Corporate Governance Committee convenes at least four times a year with at least three-month intervals; it records the meeting minutes and submits them to the Board of Directors.

Early Detection of Risk Committee convenes at least six times a year with two-month intervals. The reports containing information and results about the committee's works are approved by the Committee Members and then submitted to the Board of Directors of the company.

Current operation principles of the committees are available on the corporate website of our company.

Prior to Board of Directors' meetings, the Pre-notification Committee prepares detailed presentations, performing the necessary in depth studies regarding the matters that will be submitted for the approval of the Board of Directors.

Internal Audit Manager submits Corporate Governance Principles-related reports to the Audit Committee Members.

Corporate Governance Principles Compliance Report (continuing)

PART V - BOARD OF DIRECTORS (continuing)

5.4. Risk Management and Internal Control Mechanism

Pursuant to CMB communiqués on Determination and Implementation of Corporate Governance Principles, the Corporate Governance Committee has been established; according to the provisions of the communiqué, it has been resolved to appoint Independent Board Members Atıl SARYAL as the Chairman of the Corporate Governance Committee, Yavuz Ermiş and Husnu Dabak who is Financial Affairs Director as the Corporate Governance Committee Members, and to empower the Committee to also carry out the duties of the Nomination and the Remuneration committees. An Internal Audit Manager and an Internal Audit Specialist are appointed at the company.

Objectives and principles behind their activities are clearly described below. With the creation of the Audit Committee, they effectively fulfill the tasks assigned thereto by the Board of Directors within the framework of the Audit Committee Bylaws. Risk management is based on describing and monitoring all potential risks to which our company may be exposed.

The company and our executives have classified all potential risks, upon which necessary precautions have been adopted therefor. These include: all types of financial risks such as asset-liability, credibility, capital/indebtedness, exchange rate risks and risk factors that may directly influence the financial position of the company; natural risks, in relation to which all facilities are insured to minimize the risk posed by natural disasters such as fire, earthquake, etc., which may affect the performance of the company. The SAP system is employed to prevent any loss of data and ensure systems are unaffected in the event of a disaster. This system allows instant tracking of operating results, as well as measurement and processing, aiding the decision support processes. Representing a key technological utility, the SAP enhanced the efficiency of the internal control mechanism by eliminating human errors. Furthermore, emphasis is put on investments such as the company back-up system.

In parallel with the risk management and control system in place at our shareholders Hacı Ömer Sabancı Holding A.Ş. and HeidelbergCement Group, effective risk management processes have been developed and launched. Corporate Risk Manager under the body of company informs Early Detection of Risk Committee through the reports prepared regularly.

5.5. Strategic Objectives of the Company

VISION

"Sustainable growth beyond all borders" To achieve sustainable growth beyond all borders as the construction materials industry's most trusted company, with the most preferred business model.

MISSION

With our culture of dedication for social, environmental, legal and ethical values, TO BECOME A PIONEERING CONSTRUCTION MATERIALS COMPANY THAT IMPROVES THE QUALITY OF LIFE, by creating value for our customers through innovative products, services and solutions; for our stakeholders, through superior financial performance; and for our employees, who make up the backbone of our operations, through constant development opportunities and our business model.

The Board of Directors hold discussions with the stakeholders to define the strategic objectives of the company for the next three years. The Board of Directors also approves the annual budgets that are prepared according to these strategic objectives.

The Board of Directors are well informed of the implementation processes of decisions made in line with comparative presentations made to company officials during meetings. These presentations contain comparisons of the current year's budget and the actual results, as well as the comparison of the same periods of previous years, to be presented to the Board of Directors. The Board of Directors repeat this process at least four times a year.

Corporate Governance Principles Compliance Report (continuing)

PART V - BOARD OF DIRECTORS (continuing)

5.6. Financial Rights

During the period between January 1, 2017 and December 31, 2017, the company did not lend money to any of the Board Members, nor did it issue a line of credit, extend the terms of debts or credits, or improve their conditions, issue line of credit under the name of personal loan through a third party, or give guarantees such as indemnities in their favor. In the Ordinary General Meeting held on March 24, 2015, it was resolved to pay a monthly gross remuneration of 3,500 Turkish lira to the Board Members. Mehmet Hacıkamilođlu, Daniel H.J. Gauthier, Hayrullah Hakan Grdal and Serra Sabancı waived their remuneration receivables, which have arisen as of their appointments and which will arise until their term ends pursuant to the resolution made about paying a monthly remuneration of 3,500 Turkish lira to the Board Members in the Ordinary General Meeting.

The company has established a Remuneration Policy for the Board Members and Executives, and has disclosed it to the public on the corporate website.