

# CORPORATE GOVERNANCE



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

"Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi" (Doğuş Otomotiv Service and Trade Corporation) has applied the Corporate Governance Principles issued by the Capital Markets Board of Turkey in the fiscal year that ended on 31 December 2016 in accordance with the following explanations.

## 1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In the fiscal year that ended on 31 December 2016, our company has adopted the principles of equality, transparency, accountability and liability in accordance with the Corporate Governance Communiqué ("Communiqué") No: II-17.1 issued by the Capital Markets Board of Turkey on 3 January 2014, and published in the Official Gazette No: 28871. According to the statement of the Capital Markets Board of Turkey in its bulletin no. 2015/01 dated 13 January 2015, the Company is listed among the BIST 2nd Group Companies. Following an evaluation of 401 criteria defined in the methodology prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., it has been determined that our Company has complied with the Communiqué to a great extent. The Company's Corporate Governance Rating, which was 94.21 (9.42 out of 10) as of 15 December 2015 rose to 95.06 (9.51 out of 10) on 15 December 2016 as a result of the constant improvement efforts by our Company. The biggest contribution to the increase in our rating was received in the Board of Directors category and was awarded as the highest rated company in its category by the Corporate Governance Association of Turkey.

This outcome demonstrates that the risks that may threaten the Company have been largely identified and are under control and that the rights of shareholders and stakeholders are justly protected. Furthermore, a high level of performance has been attained in terms of public disclosures and transparency. In this respect, the structure and working conditions of the Board of Directors comply with Corporate Governance Principles.

SUBCATEGORIES	WEIGHT	RATING
Shareholders	0.25	94.76
Public Disclosure and Transparency	0.25	96.67
Stakeholders	0.15	93.95
Board of Directors	0.35	94.61
TOTAL	1.00	9.51

The Corporate Governance Rating Report is available on the corporate website and can also be accessed via: <http://www.dogusotomotiv.com.tr/en/investor-relations/investor-relations/corporate-governance/reports/kobirate-corporate-governance-compliance-rating-report>

In General, the Company fully complies with all mandatory principles in the Communiqué as well as most of the non-mandatory principles, and continues to further improve its Corporate Governance efforts. No conflict of interest has arisen due to the below listed issues, which are not yet implemented and remain outside the scope of principles currently applied.

Even though there are no provisions or applications in the Articles of Association concerning the issues mentioned below, the Turkish Commercial Code, the Capital Markets Law and relevant regulatory provisions are applied.

- » General Assembly meetings are conducted open to the public as stated in the General Assembly Meeting calls.
- » Diligence is paid to the exercise of minority rights. Nonetheless, broadening the scope of rights and extending these rights to shareholders holding less than one-twentieth of the capital of the corporation are not included in the Articles of Association.
- » Support mechanisms and models have been devised to ensure the employees' and stakeholders' participation in the management of the Company. Detailed information is provided in Article 4.2 (Participation of Stakeholders in Management).

Currently, there are two (2) female members serving on the Company's Board of Directors. In line with the proposal of the Remuneration and Nomination Committee, formed by the Board of Directors of the Company in accordance with the Capital Market Board's Corporate Governance Principles, the following article has been added to the Board of Directors Selection Criteria pursuant to the Board's resolution no 2016/69 dated 9 December 2016: "When nominating candidates for the Board of Directors of Doğuş Otomotiv Servis ve Ticaret A.Ş. the most important factor is the contribution to be provided by the candidate to the company, the shareholders, the public and all stakeholders. Besides, the Company also aims to facilitate the prioritization of women in terms of Board Membership, and strengthen the position of women in decision-making processes. Accordingly, when a candidate is to be nominated for Board Membership, nomination of female members from among candidates with comparable qualifications in terms of knowledge, experience and competence will be prioritized. The Remuneration and Nomination Committee ensures that the Corporate Governance Principles issued by the Capital Markets Board are complied with regarding the exercise of this article both in term and also in ratio."

Even though self-criticism and performance assessments are carried out on the Board of Directors, members are neither awarded nor discharged from their duties as a result of these evaluations. However, participation of the Board Members in the Board of Directors and Committee meetings, their contributions, and sharing of knowledge, knowhow and experience are taken into account, and the performance of the Board of Directors as a whole is assessed annually.

Pursuant to Article 4.6.5 of the Corporate Governance Principles, all remunerations as well as all benefits provided to Board Members and executives with administrative responsibilities are disclosed to the public as an aggregate sum through the Annual Report.

While our current management practices are in compliance with the Corporate Governance Principles, in the event that we have plans in the future to make any changes within the framework of the Corporate Governance Principles, our stakeholders will be duly informed.

As in 2016, the Corporate Governance Principles will continue to be internalized in the upcoming period taking into account the relevant requirements and developments in the regulations, and we will maintain our willing and resolute approach to creating solutions to areas that require compliance and improvement.

## 2. SHAREHOLDERS

### 2.1. Investor Relations Department

Investor Relations Department in our Company is responsible for maintaining relations with shareholders, and composed of the following personnel:

Investor Relations Department Manager, and Corporate Governance and Sustainability Committee Member  
Halide Müge Yücel  
Capital Market Activities Level 3 License (207941)  
Corporate Governance Rating Expertise License (701487)

Investor Relations Specialist  
Bahar Efeoğlu Açar  
Capital Market Activities Level 3 License (211136)  
Corporate Governance Rating Expertise License (702008)

Investor Relations Contact Details:  
Phone: +90 (262) 676 90 58-59  
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Email: [investorrelations@dogusotomotiv.com.tr](mailto:investorrelations@dogusotomotiv.com.tr)

Halide Müge Yücel was appointed as the Investor Relations Department Manager on 25 March 2016 and the related material event disclosure was made on the Public Disclosure Platform (PDP)

The Investor Relations Department is responsible for regularly disclosing information to shareholders and potential investors pertaining to the Company's operations, its financial standing, and strategies, and for answering requests for information, except for publicly undisclosed or confidential information and trade secrets,

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in a manner that will not lead to information disparities. The Investor Relations Department forms a bridge between the Company and the existing and potential investors based on two-way communication and mutual trust.

The Investor Relations Department has responded to all queries and applications received from shareholders throughout 2016 in a timely manner and without any discrimination by phone, email or in one-on-one meetings. Of the total meetings with 244 investment firms in 2016, 152 were conducted one-on-one, 82 as a group, and 10 as conference calls. In addition to attending 15 investor conferences and 3 roadshows in Turkey and abroad, the Department has also held 1 analyst group meeting, and 3 teleconferences with multiple participants to inform a total of 101 analysts on our quarterly financial results. Furthermore, several meetings were attended in Austin, Boston, Chicago, Dubai, Frankfurt, Istanbul, London, New York, Prague, Singapore, Stegersbach, Stockholm, Warsaw, and Zürich to provide information to corporate investors.

Following the appointment of the CFO/General Manager - Financial Affairs in 2016, the Investor Relations Department was repositioned under the Financial Affairs Directorate where the Department will proactively carry out Investor Relations. The "Investor Relations Activities and Strategic Plan" of the year ahead is prepared by the Department and submitted for the approval of the Corporate Governance and Sustainability Committee, and the periodic "Investor Relations Activities Information Document" relating to current activities is presented to the Committee for review. An "Investor Relations Annual Report" is also prepared by the Department and presented to the Board of Directors once a year. Meanwhile the daily and weekly reports are consolidated and periodically presented by the CFO/General Manager - Financial Affairs to the Board of Directors.

## 2.2. Exercise of the Shareholders' Right to Obtain Information

Previously provided and continuously updated information and disclosures, which may affect the exercise of shareholders' rights, are made available in English and Turkish for investors on the corporate website: [www.dogusotomotiv.com.tr](http://www.dogusotomotiv.com.tr)

Even though the right to request the appointment of a Private Auditor is not specifically regulated in the Articles of Association, Article 438 of the TCC stipulates, "each shareholder has the right to request from the General Assembly the appointment of a private auditor if necessary even when this is not part of the agenda, provided that the right to obtain and examine information has already been exercised with respect to the matter in question, and if the General Assembly agrees to this request, the company or each shareholder may apply to the Commercial Court with jurisdiction in the area of the Company's headquarters within 30 days for a private auditor to be appointed." However, there were no requests for the appointment of a private auditor during the reporting period. Company operations are periodically audited by an Independent Auditing Company appointed at the General Assembly.

## 2.3. General Assembly Meetings

The Ordinary General Assembly convened on 25 March 2016 at 10:00 am at "Muallim Naci Caddesi No: 26, Bentley Istanbul Showroom, Ortaköy-Beşiktaş, Istanbul" to review the 2015 activities.

For the purpose of encouraging shareholders' attendance, the meeting was held at the location of the Company's headquarters as well as over the Electronic General Assembly System in a manner to minimize inequality among shareholders and the costs of their participation.

The call for the General Assembly Meeting, which was open to stakeholders and members of the media, was made in accordance with the Articles of Association, and as required by law, and the announcement along with the meeting agenda was published in the Turkish Trade Registry Gazette No: 9023 on 2 March 2016. The Company also presented the financial statements, the annual report, audit reports, and the Board of Directors' proposal for the distribution of profit, as well as disclosures and statements required by Law and Corporate Governance Principles to the shareholders on the same date, all of which must be made available for the shareholders to review pursuant to Article 437 of the Turkish Commercial Code No. 6102.

At the Ordinary General Assembly, 15,148 shares were represented as principal, and 188,214,300 shares were represented in proxy, accounting for 188,229,448 out of the total 220,000,000 shares, corresponding to a total share capital of TL 220,000,000.

Along with the General Assembly Meeting announcement, the disclosure documents covering the General Assembly agenda items were also published on the corporate website. In this context, information on the total number of shares and voting rights showing the shareholder structure of the company, as well as information on whether or not there were any privileged shares in the Company's capital were disclosed to the shareholders. Information about the management and operations of the Company and its subsidiaries, as well as procedures that may cause conflicts of interest, transactions conducted with related parties, collaterals, pledges, and mortgages were also included. In the drafting of the General Assembly agenda, the agenda items were phrased explicitly and in a manner not to cause different interpretations, taking utmost care not to use vague expressions such as "other" and "miscellaneous."

At the Ordinary General Assembly on 25 March 2016, shareholders exercised their rights to direct questions as set out in relevant legislation, and these questions were answered immediately. Each agenda item was voted on separately, and the votes were counted and announced before the meeting ended. The meeting chairman, who presided over the General Assembly Meeting, ensured that the topics on the agenda were conveyed objectively and in detail in a clear and comprehensible manner, and provided the opportunity for the shareholders to express their opinions and raise questions on equal ground. The meeting chairman also made sure that all questions, which did not fall into trade secrets, raised by the shareholders during the meeting were answered directly at the General Assembly meeting. The questions posed and answers given during the meeting were recorded in the meeting minutes, and disclosed to the public on the corporate website. The shareholders did not put in any written requests to the Investor Relations Department regarding the addition of an item on the meeting agenda. General Meeting minutes are always open to shareholders on our website and can also be reviewed at the Company headquarters.

The agenda of the General Assembly meeting also included as a separate item the matter of whether or not to give permission to the shareholders with management control, Board Members, managers with administrative responsibilities, their spouses, and relatives by blood or marriage up to the second degree to conduct materially significant transactions that may cause conflicts of interest with the Company or subsidiaries and/or conduct transactions on behalf of themselves or a third party in the same field of activity as the Company or its subsidiaries, or become an unlimited shareholder in a business that operates in the same field of activity as the Company or its subsidiaries. It was noted that no such transaction took place in the 2015 reporting period, and no information was communicated to the Board of Directors about persons who have the privilege to access Company information regarding their engagement in activities in the same field as the Company.

Pursuant to the provisions of the CMB Communiqué No. II-17.1, the General Assembly was informed about common and continuous exchange of assets, services and obligations between the Company and related parties, and the collaterals, pledges and mortgages that were given in favor of third parties, with the details included in the Annual Report and the notes in the Consolidated Financial Statements. The same information can also be found on the corporate website: <http://www.dogusotomotiv.com.tr/en/investor-relations/investor-relations/corporate-governance/subsidiaries-and-affiliates/transactions-with-related-parties> In a separate agenda item, information was provided about the amount and the beneficiaries of the donations and support extended in the reporting period. No changes were made to the Company's Articles of Association in the reporting period.

## 2.4. Voting and Minority Rights

All of the Company shares are in bearer certificates, which do not grant any rights to the Company's profits. The Articles of Association do not give any privileges concerning the exercise of the voting rights. Voting rights are exercised in the General Assembly in accordance with regulations on representation and voting manner. The CMB regulations on voting by proxy are fully upheld. All shareholders are provided with the opportunity to cast their votes equally, easily and appropriately. The disclosure documents of the General Assembly contain information on the structure of the Company's shares, the voting rights granted by shares, and voting privileges. It is explicitly stated that one share gives one voting right and that no voting privileges have been granted to any shareholder groups. The Company does not have any cross ownership in another entity that would result in a controlling relationship.



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There were no violations in the exercise of basic shareholder rights, such as the participation of minority shareholders in the General Assembly, proxy representation, and no imposition of an upper limit in the exercise of voting rights. Diligence is paid to the exercise of minority rights. There are no provisions in the Company's Articles of Association regarding the representation of minority shares in the management or cumulative voting method.

## 2.5. Dividend Distribution Policy, Time and Method

Our Company's dividend distribution policy has been determined in accordance with the framework of principles and procedures laid out in the Turkish Commercial Code, Capital Markets Law and other relevant regulations, and Article 24 entitled "Determination and Distribution of Dividend", Article 25 entitled "Timing and Method of Dividend Distribution, Dividend Advances" and Article 26 entitled "Reserves" of the Articles of Association, taking into consideration the country's economy and the condition of the industry and by maintaining a balance between our shareholders' expectations and the needs of our Company.

The Articles of Association includes no privileges regarding profit sharing. Dividend distribution is determined by the General Assembly, based upon the proposal by the Board of Directors prepared taking into consideration the following principles.

### a) Dividend Distribution Rate:

In compliance with the rate and amount determined by the Capital Markets Board and on the condition that there are no adverse circumstances in the country's economy or the industry that might affect Company activities, a minimum of 50% of the distributable profit, calculated in accordance with the Capital Markets regulations, is distributed. The Board of Directors may propose a different rate or amount to the General Assembly, following the assessment.

### b) Method of Dividend Distribution:

The dividend distribution is made in form of cash and/or bonus shares.

### c) Timing of Dividend Distribution:

The date of dividend distribution is determined by the Board of Directors following the General Assembly, based on the dates specified in the regulation.

### d) Dividend Advances:

The General Assembly may authorize the Board of Directors for dividend advances. The Board of Directors may distribute dividend advances, based on the year and limits of the authorization granted, taking into consideration the country's economy and the condition of the industry.

At the Ordinary General Assembly held on 25 March 2016, it was resolved to distribute a gross total of TL 300,000,000 in cash as dividend of 2015 profits.

## 2.6. Transfer of Shares

The Company's Articles of Association contains no practices that complicate the transfer of shares by shareholders or provisions that restrict the transfer of shares, and the Company avoids practices that would complicate the free transfer of shares. The transfer of shares is conducted in accordance with the Capital Market Law, the Capital Market Regulations, and relevant provisions of the Turkish Commercial Code. The Company shares are not listed in international stock exchanges.

## 3. PUBLIC DISCLOSURE AND TRANSPARENCY

The Company's Disclosure Policy specifies how information and developments with respect to the Company's past performance and future expectations, except for trade secrets, will be disclosed. Accordingly, the Company has informed the public in a fair, timely, accurate, complete, easily accessible, comprehensible, interpretable, and equal manner. Other than the pertinent provisions to the legislation, the Disclosure Policy also offers information

about what will be disclosed to public, in which manner and frequency, using which channels, and the method to be followed in answering questions directed at the Company.

The principles of disclosing information about the future are also included in the Disclosure Policy. Any information that refers to the future in public disclosures is provided together with the rationale and statistical data on which the estimates are based. Such information does not contain exaggerated and groundless predictions or may not be misleading, and are prepared in a manner relevant to the Company's financial standing and operational results.

Material events containing internal or continuous information, circumstances and developments that might influence investment decisions of investors are disclosed to the public in accordance with the CMB Communiqué No. II-15.1, and relevant regulations, in a timely, complete, accurate, comprehensible, and sufficient manner, free from any misrepresentations.

Pursuant to applicable regulations of the BIST and the CMB, material event disclosures are submitted to the Public Disclosure Platform bearing an electronic signature, and published on the corporate website under a separate heading. In 2016, the company made 72 material event disclosures.

### Material Developments After the End of the Reporting Term

#### Announcements and Material Event Disclosures from 31 December 2016 to 28 February 2017:

Latest announcements and material event disclosures made between the above-mentioned dates are detailed below:

#### 5 January 2016 - List of Companies to be Assessed for BIST Sustainability Index

According to Article 5 of the BIST Sustainability Index Principal Rules, the companies to be assessed in 2017 have been determined; and the list of 63 companies consisting of those included in the BIST 50 Index plus volunteering companies listed on the BIST 100 has been published.

In the assessments to be conducted by Vigeo EIRIS, the public information of the companies as of 30 June 2017 will be taken into consideration, and the companies that pass the threshold values in the index selection criteria as a result of this assessment will be included in the BIST Sustainability Index for the November 2017 - October 2018 period.

#### 30 January 2017 - Purchase of Property and Equipment

The property with 37,361.72 sqm of surface area located in "Istanbul Province, Büyükçekmece Provincial District, Plot 1761, Lot 7, Esenyurt / Istanbul" and leased as the Company's automotive showroom and aftersales service was bought in accordance with the value determined by the survey and expertise report issued by Terra Estate Appraisal Company from Doğu Holding A.Ş. for the amount of TL 186,500,000.

#### 20 February 2017- Meiller Doğu Damper Sanayi ve Ticaret Limited Şirketi - About Capital Reduction

The legal process that the Company had initiated in order to reduce the capital of Meiller Doğu Damper Sanayi ve Ticaret Limited Şirketi in which the Company has a 49% share, and whose activities had been suspended, from the total of TL 56,166,000 down to TL 234,000 by deducting TL 44,165,380.90 from retained losses and a cash reduction of TL 12,000,619.10 is ongoing.

There are no non-corporate shareholders in the Company. However, non-corporate shareholders, after elimination of indirect ownership, were disclosed in the public offering prospectus issued in 2004, and this information is periodically updated on the Public Disclosure Platform under the "General Information Form of the Company."

### 3.1. Corporate Website

The Company's corporate website (www.dogusotomotiv.com.tr) is used as an active and effective platform for public disclosure, and the information therein is regularly updated. The information on the website is consistent with the statements made in accordance with applicable regulations. Our company's user-friendly website was updated with a new look and better usability, and launched on 1 November 2016.

In addition to the mandatory information required by legislation to be disclosed, the corporate website also includes: trade registry information, the latest shareholding and management structure, the Board of Directors, the most up-to-date version of the Articles of Association together with the dates and issues of the Turkish Trade

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Registry Gazettes in which these changes were published, material event disclosures, informative presentations for investors, financial statements, annual reports, prospectus, General Assembly meeting agendas, lists of attendees, minutes of meetings, form for proxy voting, internal directives, Dividend Distribution Policy, Disclosure Policy, Remuneration and Severance Pay Policy, Share Buy-Back Policy, Grant and Aid Policy, Corporate Sustainability Policies, Human Resources Policy, the Company's Code of Ethics, as well as information requests from the Company, questions and notifications and their answers under the Frequently Asked Questions heading.

The shareholding structure of the Company and the names of non-corporate shareholders with more than 5% shares after eliminating the effects of indirect and cross ownership were disclosed to public together with their privileges, share amounts, and percentages. This information is made available on the corporate website, and also offered in English for the benefit of international investors.

As required by the relevant provisions of the Capital Market Law, financial statements are disclosed on the Public Disclosure Platform simultaneously in Turkish and English. Disclosures in English are provided in a true, complete, direct, comprehensible, satisfactory manner and remain consistent with the Turkish version thereof as a summary, to the extent that the disclosure assists the beneficiaries in making a decision.

### 3.2. Annual Report

The Board of Directors has prepared the Annual Report in accordance with the Capital Market Law and CMB's Corporate Governance Principles and in a way that would help the public to obtain complete and accurate information about the Company's activities. The Annual Report is disclosed to public on the Public Disclosure Platform (PDP) along with financial statements. The Annual Report is prepared in Turkish and in English and is disclosed to the public on the corporate website. The annual reports of the last five years are also available to public on the website.

The annual reports include:

- » Board Members' and senior executives' resumes, start dates and terms of their service
- » Information on the Company's field of operations and position in the industry
- » Information on the organization's financial resources, and the qualification and amount of capital market instruments,
- » Changes to the Articles of Association made during the reporting period and their reasons
- » Statement of Responsibility in the Financial Reports,
- » Corporate Governance Principles Compliance Report,
- » Independent Auditor's Report regarding the Annual Report.

In addition to topics specified in legislation and other sections of the Corporate Governance Principles, the Annual Reports also include:

- » Information on the duties that Board members and executives assume outside the Company
- » Declarations of independence by the Independent Board Members,
- » The members of the committees formed under the Board of Directors, and the meeting frequency of these committees, the working principles including the activities carried out, and the Board of Directors' assessment of the committees' effectiveness
- » The number of Board meetings during the year, and the attendance of the Board Members in the meetings,
- » Information regarding some legislative changes that may materially affect the Company's operations
- » Information on legal actions brought against the Company and their possible consequences,
- » Information on social rights of employees, their vocational trainings, and corporate sustainability activities regarding the Company's operations that have social and environmental consequences
- » Links to the Corporate Sustainability Reports that include information on the Company's performance within the scope of Corporate Sustainability Principles
- » Information regarding the requirement that prior approval must be given by the General Assembly

to shareholders who have management control, members of the Board of Directors, managers with administrative responsibilities, and their spouses, relatives by blood or marriage up to second degree to conduct significant transactions with the Company or its subsidiaries that may cause conflicts of interest, to compete or conduct such transactions, along with other topics related to the Company.

## 4. STAKEHOLDERS

### 4.1. Keeping Stakeholders Informed

Doğuş Otomotiv Group's stakeholders, namely the customers, shareholders, employees, subsidiaries and affiliates, Authorized Dealers and Aftersales Services, suppliers, OEMs, government and social milieu, are informed on topics that are relevant to them. The process of informing comprises presenting disclosures of material events made to the Public Disclosure Platform, the minutes of General Assemblies, Independent Auditor Reports and financial statements, presentations made to individual and corporate investors, reports drawn up about the Company by third parties and Corporate Sustainability Reports, through press releases and publishing them on our corporate website. Furthermore, the annual Corporate Sustainability Report covers detailed explanation about all the stakeholder engagement platforms that involve individual stakeholder groups. The Company carries out stakeholder engagement activities to create dialogue platforms with stakeholders, which directly affect and are in turn directly affected by our operations, to provide benefits for all parties, understand their expectations using a clear and transparent communication strategy, and respond to these expectations.

As a routine operation, the company procedures are evaluated as instruments of daily workflow developed under the control of Process Management by taking into account the opinions of all related departments and brands, and by considering the company strategy. For this purpose, the employees are notified through the dedicated intranet on the company-related issues they need to be informed of. In periodic management information meetings, highlights such as achievements, strategies and targets, and the company's roadmap are shared transparently with employees. Furthermore, queries or requests received by phone are promptly taken into consideration, and necessary information is provided.

All financial reports and information of the Company open to public are disclosed by Doğuş Otomotiv Investor Relations Department in an accurate, complete, fair, valid, and comprehensible manner.

In the event of protection/use of assets, ensuring the company's safety, and detection/prevention of fraud, there are mechanisms in place to allow stakeholders to report these instances to the Early Risk Detection Committee or the Audit Committee.

### 4.2. Stakeholder Participation in Management

Within the Corporate Governance Principles framework, models for the participation of stakeholders in management are implemented while continuous enhancements are introduced.

**Shareholders:** Shareholders' participation in management and protection of their rights are ensured within the framework of applicable laws and regulations.

**Employees:** In addition to involving employees in decision-making mechanisms to the extent of their authority and responsibilities, online platforms have been established on the intranet for them to share their requests, suggestions and opinions. The contributions that employees make as part of "The Suggestion and Award System" are reviewed by authorized teams and awarded when deemed necessary. The answers to the social, environmental and economic topics included in the employee satisfaction surveys to understand employee expectations are consolidated and published in the Corporate Sustainability Report, and regularly presented to senior management. The activities of the Corporate Responsibility Working Group, composed of delegates from all departments, are regularly shared with the Corporate Governance and Sustainability Committee reporting to the Board of Directors.

**Customers:** An independent firm regularly conducts customer satisfaction surveys. The customer requests received by Customer Relations and the results of customer surveys are evaluated by the responsible departments, and necessary updates are implemented. Furthermore, customers are informed of the Company's strategies and plans at Authorized Dealer events organized throughout the year. In line with the philosophy of serving more effectively, efficiently and with higher quality, holding regular meetings, which shape corporate policies and decisions, with stakeholders, and taking necessary actions according to the evaluation of results are part of the engagement process.

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Meanwhile, other shareholders - who are not controlling shareholders that directly take part in management - participate in management via General Assemblies.

## 4.3. Human Resources Policy

Doğuş Otomotiv, as a service company, derives its power from its human resources, which is accepted as a corporate value. Accordingly, in our Human Resources Policy, we emphasize the importance of attracting and working with employees who:

- » Adopt the values of Doğuş Group (We sincerely solve, apply, and develop)
- » Have the competencies required by the dynamism of the company
- » Are well aware of the significance of the customer
- » Are eager to learn and develop
- » Take efficiency as a reference within the company
- » Employ a system-oriented approach, and
- » Sustain long – lasting high performance.

In line with the Human Resources Policy, we also strive to contribute to their professional and personal development, and assist them in realizing their full potential. In addition to the Human Resources Policy, we have also disclosed to the public "Our Employee and Quality Work Environment Policy" which covers our targets in the following topics: employee satisfaction, occupational health and safety, sustainable employment, equal rights for employees, open and transparent communication with employees, and establishing platforms to enable direct communication with senior management.

## 4.4. Code of Ethics and Corporate Sustainability

### Doğuş Otomotiv Code of Ethics

An Ethics Working Group was established within the Company to prepare the Code of Ethics, which was completed and launched in 2012 after diligent studies and efforts.

Doğuş Otomotiv Code of Ethics provides detailed explanation of our ethical ways of doing business, and concerns not only the Company managers and employees, but also our suppliers and all the stakeholders we work with. Doğuş Otomotiv Code of Ethics is shared with all our stakeholders within the scope of our Corporate Sustainability Report and on the corporate website.

The trainings organized in order for the employees to fully understand our Code of Ethics are planned as one-on-one sessions using the Q&A method. During the reporting period 188 employees of Doğuş Otomotiv received a total of 376 man/hours of one-on-one Code of Ethics training. By the end of 2016, 81% of Doğuş Otomotiv employees have received one-on-one Code of Ethics training. Furthermore, 127 new hires that started within the same period were educated about Code of Ethics as part of the total 317.5 man/hours of e-orientation.

Informative activities to familiarize the Authorized Dealers and Aftersales Services with Doğuş Otomotiv Code of Ethics also continued. Accordingly, 20 Authorized Dealers and 3 suppliers included within the scope of the Corporate Sustainability Report, were instructed about the Code of Ethics in detail during info meetings.

### Corporate Responsibility/Sustainability

Corporate Responsibility/Sustainability refers to the methods we use in developing solutions for the social, economic and environmental issues in our industry, and our corporate behavior that encompasses all of our operations.

- » We believe in the importance of our employees' contributions in ensuring our existence as a strong and trustworthy corporation across all stages of the automotive value chain.
- » We value the reputation of the brands we manage in the eyes of our stakeholders, and ensure that this reputation grows in parallel with our performance in all of our areas of responsibility.
- » We are aware that the right to safer, healthier, more environmentally friendly and more comfortable mobility is a part of social welfare.
- » We ensure continuous development through dialogue platforms built on open communication, mutual respect, and tolerant service with our employees, customers, Authorized Dealers and Aftersales Service Centers, and all other key stakeholders.

- » We regularly question our key stakeholders' expectations, and cooperate with them to respond to these expectations in the best way possible.
- » As one of the most important representatives of the international trust and quality approach in our country, we strive to constantly raise our stakeholders' awareness of and performance in this area.
- » Through activities that younger generations will embrace and that will lead to changes in behavior, we draw attention to the vital importance of traffic safety.
- » We plan, establish, and implement policies to minimize the potential negative effects of our operations on the environment.
- » We are well aware of the critical importance of our employees' social, mental and professional contributions for the Doğuş Otomotiv Group, and consider their health and safety a top priority.

Our Sustainability and Corporate Responsibility related activities are covered in greater detail in the General Information section under Article 4.13.4., Sustainability and Corporate Responsibility Activities.

## 5. BOARD OF DIRECTORS

### 5.1. The Function of the Board of Directors

The Board of Directors has maintained the Company's risk, growth and return balance at optimal levels by making strategic decisions, and managed and represented the Company by first and foremost protecting the long-term interests of the Company through rational and prudent risk management. Driven by the Company's vision and mission, the Board of Directors has coordinated the operations performed by the executive body, and at the same time overseen Company management's performance monitoring how the Company's operations and activities complied with the legislation, the Articles of Association, internal regulations and constituted policies. The Board is the highest authority in the Company for decision-making, strategy, and representation.

### Corporate Vision, Mission and Strategic Goals

Doğuş Otomotiv continued its successful streak of the previous years in 2016, and despite the difficult market conditions, attained successful results in its current lines of businesses by staying mindful of its strategies. As such, for the coming periods we continue to aim for constant improvement in our cost management, creating "fan customers", and being an efficient company that grows sustainably for all our employees, business partners, customers and shareholders.

### Our Vision:

To provide innovative services beyond expectations.

### Our Mission:

Doğuş Otomotiv is a reliable automotive company operating on a customer-oriented basis, having an insight into its sector and the expectations of its shareholders, defining new expectations and aiming to satisfy them at the highest level, possessing creative manpower and using technology in the most optimal manner in this direction, aiming to offer an efficient and profitable service throughout the automotive value chain.

### Strategy:

Our Company's general and long, medium and short-term corporate strategies are based on the following goals:

#### BE SIZABLE – BE CLOSE – BE CREATIVE

#### BE SIZABLE:

- » As Doğuş Otomotiv, achieving systematic, efficient and profitable expansion in its field of activity, and growth in added value in every aspect of the value chain in Turkey and international markets.
- » Ensuring career development of human resource for rapid and systematic evolution of this growth and its results.

#### BE CLOSE:

- » Acquiring an insight into the expectations of our stakeholders, and in particular our customers, and raising our relations to the perfect level beyond expectations as rapidly as possible.
- » Establishing effective systems that will enable Doğuş Otomotiv to attain operational excellence in terms of efficiency and profitability and as such, closely monitoring and analyzing the financial and operational status of the company.

#### BE CREATIVE

- » Creating distinction and a competitive edge through constant innovations based on a participative approach to product development, customer service and business concept.
- » Developing actions and methods that will render the business in a "leaner, faster, cheaper" manner with participation and teamwork in process improvement.



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Since its inception, DoğuŖ Otomotiv, in line with its strategic plans, has focused on strengthening its position in the industry, forming and expanding its Authorized Dealer and Service network, and improving recognition and image of the brands it represents in the domestic market. Following the Company's initial public offering in 2004 as an importer and distributor of all the brands it embodies, the Company has evolved its strategy by focusing on the development and performance of its other core and automotive-related ancillary businesses from a local and global perspective.

We aim at being the first institution to implement newly developed applications using innovation and technology, and creating synergy with our employees and other stakeholder's based on our Company's sustainable and stable growth strategy. Therefore, we see it as our priority to work on new projects to continuously increase the quality of our core and automotive-related ancillary businesses. Furthermore, based on the knowledge and experience we have accumulated for more than 20 years as well as the success we attained we intend to further expand our business activities by capturing new opportunities.

Knowing that the long-term success of DoğuŖ Otomotiv can only be sustained through the ultimate satisfaction of our stakeholders, we have built our strategy on four pillars:

## One Step Beyond Customer Satisfaction: Turning Customers into Fans!

With uncompromising customer satisfaction-oriented dynamic and attentive service approach, our strategy is to make our customers feel they are valued, and offer high quality and creative service by showing attention at the highest level to all of their demands and needs.

- » The Value and Care Centre (DIM) that supports our brands at every stage of the customer life cycle became operational in November 2014.
- » In the upcoming period, we will work on being constantly connected and accessible for our customers through "Connectivity" and ensure the quick and creative solutions for their requests with each communication.
- » With a virtual showroom concept that offers a digital experience for customers, the "Audi Cities" represent the future of the ongoing "store" culture; these life-size, virtual versions of all Audi models can be shown on giant LED screens.

## Achieving Operational Excellence through Increase in Productivity!

DoğuŖ Otomotiv offers sales, service and spare parts services for 12 international brands at more than 510 customer touch points, and aims to continue its activities as Turkey's leader in automotive imports and distribution by achieving optimum profitability.

- » Our internet-based and mobile device compatible software "Turkuaz", already used by DoğuŖ Otomotiv and all its Authorized Dealers/Services, adds value to the automotive processes by including manufacturers and suppliers as well, and with constant software updates, it serves significantly our targets for digitalization.
- » In accordance with the efforts to achieve sustainable efficiency in shipments from ports, and in light of the sales volume of our Company, the stockyard development project will soon to be launched.
- » The aim is to identify development areas through continuous measurement of quality standards at all customer touchpoints, and to review the capacities of Authorized Dealers for the purpose of making revisions as well as implementing the required environmental and labor regulations to allow for a more productive ecosystem.
- » The personnel infrastructure will be supported for more efficiency according to the business volume in our Company and for more effective use of new technologies in our services.
- » Investment opportunities will be continually assessed for new business areas, and the Company's development plans will be reviewed.
- » Within the scope of Lean Management practices, necessary programs will be implemented to ensure that our employees contribute to the efficiency of business processes and savings-oriented process improvement programs will be launched.

## Maintaining Strong Presence in the Automotive Market!

The company aims to maintain its strength in the market and achieve optimized profitability in its operations.

- » The company aims to enable the international brands it represents to perform successfully in Turkey, and to grow with stability, benefiting from those brands' value and competitive advantage, with its vision of "creative service beyond expectations" and its principle of "customer-satisfaction oriented work".

## The First Condition of Creating a Happy Customer is Happy Employees!

The Company offers a common culture to more than two thousand valuable employees, engages in innovative and sustainable human resources practices, and carries out projects that improve customer satisfaction.

- » Our company's employer brand "Bir'iz" (Together) gives the message of "we act together, and leave our mark"
- » The "Development School-GO" platform reinforces the internal social communication skills of employees, and allows them to monitor their personal and professional development as well as their training.
- » Coaching and mentoring programs are offered by the Company within the scope of "Talent Management".
- » In accordance with the efforts of the "Equality at Work" platform, coaching and mentoring training is provided to women in the Company, and they are offered opportunities to get prepared for the next management level.
- » With DRIVE (DoğuŖ Otomotiv's Route Human Training, a project that aims to enhance human resources, both within the organization and also at more than 510 Authorized Dealers and Service Centers where 7,500 employees work, counseling support is provided.

## 5.2. The Principles of the Activities of the Board of Directors

The Board of Directors conducts its activities in a transparent, accountable, fair, and responsible manner. Separate individuals perform the duties of the Chairman of the Board of Directors and Chief Executive Officer.

The Board of Directors plays a leading role in maintaining effective communication with shareholders and resolving possible disputes. For this purpose, the Board of Directors works in close cooperation with the Investor Relations Department.

While performing its duties and responsibilities, the Board of Directors engages in a continuous and effective collaboration with executives. When deemed necessary, executives participate in the Board meetings. The responsibilities and duties of the Board members and executives are covered in the Articles 9,10,11,12 and 13 of the Articles of Association.

The Board Members of our Company are covered by an umbrella insurance, the "Directors and Officers Liability Insurance Policy" by DoğuŖ Holding A.Ŗ. as insurer for an amount of \$25 million per annum against any damages resulting from their managerial misconduct that may have adverse financial consequences to the company.

The Working Principles and Procedures of the Board of Directors include:

- » The administrative structure, duties, and responsibilities of the Board of Directors
- » The processes concerning the call for meetings of Board members, and preparation for meetings
- » Information on the frequency and planning of annual meetings
- » Method used to set the agenda for the meetings.
- » The process of sharing information and documents with the Board members regarding the topics on the agenda.
- » Each member has the right to one vote,
- » The obligation of the Board members to share information among each other, and of executives to inform the Board of Directors.
- » Duty distribution within the Board of Directors, and committees,
- » The performance evaluation of the Board of Directors and a number of other topics stated in the principles are adjudicated. In execution, this regulation is applied.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 5.3. Structure of the Board of Directors

The Company's Board of Directors is made up of nine (9) people; one (1) chairman and eight (8) members. In this respect, the rule of having at least five (5) members to set up a Board is complied with. This number is sufficient for the Board to carry out efficient and constructive work, and effectively form the committees and organize their activities. The Board of Directors has one (1) executive and eight (8) non-executive members. Most of the members are therefore in non-executive roles. On the other hand, three (3) members of the Board of Directors who are non-executive are also independent members, as required by the Corporate Governance Principles. The independent members have submitted to the Board of Directors their written declaration stating their independence within the framework of relevant legislation, Articles of Association and the criteria set forth in the Principles. Currently there are two (2) female members serving on the Board. The Board of Directors of the Company defined its policy on female members to serve on the Board further to the proposal of the Remuneration and Nomination Committee established according to the CMB Corporate Governance Principles.

The selection of Board Members in our company complies with the qualifications mentioned in Chapter IV of the CMB Corporate Governance Principles, and is carried out in accordance with the relevant articles of the Turkish Commercial Code.

The Board Members of our Company are Aclan Acar, Osman Nezih Alptürk, Hayrullah Murat Aka, Emir Ali Bilaloğlu, Gür Çağdaş, Özlem Denizmen Kocatepe, Recep Yılmaz Argüden, Ferruh Eker, and Emine Gülten Özgül. The Chairman of the Board is Aclan Acar. The three independent members of the Board are Recep Yılmaz Argüden, Ferruh Eker and Emine Gülten Özgül. The members were elected to the Board of Directors to serve for two (2) years at the General Assembly meeting on 25 March 2016.

The resumes of the Board Members can be found on page 14 of this report.

Declarations of Independence by the Independent Board Members:

February 26, 2016

**DECLARATION OF INDEPENDENCY**

I hereby declare my candidacy to serve as an independent member on the Board of Directors of Doğu Otomotiv Servis ve Ticaret A.Ş. ("Company") within the framework of applicable legislation, the Company's articles of association, and the criteria set forth in the Communiqué of Corporate Governance Principles regulated by the Capital Markets Board, and confirm that:

a) In the last five years, there has not been any relationship in terms of employment in a key management position with significant duties and responsibilities, or that would involve equity or materially substantial commercial transactions between the Company, the Company's related parties or corporate entities, which are related to shareholders with direct or indirect capital shares of 5% or more in the management and capital of the Company, and myself, my spouse, my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had held shares (of 5% or more) in, or been employed in a key management position with significant duties and responsibilities by, or served as a board member for any company, which the Company procures from or supplies to any goods or services at a substantial level under any respective contract, involving Company audit in particular (including tax inspections, legal inspections and internal audits), rating and consultancy services during the provision of such goods or services;

c) I possess adequate professional training, knowledge and experience to fulfill the duties I will assume as an independent board member;

d) In compliance with applicable legislation, I will not work full time for public institutions and organizations except as a faculty member in universities after my election as an independent board member;

e) I qualify as a resident in Turkey under the Income Tax Law;

f) I possess strong ethical standards, professional reputation and experience to provide positive contributions to the Company's operations, to maintain my objectivity in case of any conflicts of interest that may arise between the Company and its shareholders, and to make independent decisions taking into consideration the rights of the stakeholders;

g) I will be able to devote time to the extent required to follow the functioning of the Company and to fully perform my duties;

h) I have not served on the Board of Directors of the Company for more than six years in the last decade;

ı) I do not serve as an independent member on the Boards of Directors of more than three companies in which the Company or the shareholders that have management control over the Company have management control, and in total more than five companies listed on the stock exchange, and that

ii) I have not been registered and announced to represent the legal entity elected as a board member.

Sincerely,  
Recep Yılmaz ARGÜDEN

February 26, 2016

**DECLARATION OF INDEPENDENCY**

I hereby declare my candidacy to serve as an independent member on the Board of Directors of Doğu Otomotiv Servis ve Ticaret A.Ş. ("Company") within the framework of applicable legislation, the Company's articles of association, and the criteria set forth in the Communiqué of Corporate Governance Principles regulated by the Capital Markets Board, and confirm that:

a) In the last five years, there has not been any relationship in terms of employment in a key management position with significant duties and responsibilities, or that would involve equity or materially substantial commercial transactions between the Company, the Company's related parties or corporate entities, which are related to shareholders with direct or indirect capital shares of 5% or more in the management and capital of the Company, and myself, my spouse, my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had held shares (of 5% or more) in, or been employed in a key management position with significant duties and responsibilities by, or served as a board member for any company, which the Company procures from or supplies to any goods or services at a substantial level under any respective contract, involving Company audit in particular (including tax inspections, legal inspections and internal audits), rating and consultancy services during the provision of such goods or services;

c) I possess adequate professional training, knowledge and experience to fulfill the duties I will assume as an independent board member;

d) In compliance with applicable legislation, I will not work full time for public institutions and organizations except as a faculty member in universities after my election as an independent board member;

e) I qualify as a resident in Turkey under the Income Tax Law;

f) I possess strong ethical standards, professional reputation and experience to provide positive contributions to the Company's operations, to maintain my objectivity in case of any conflicts of interest that may arise between the Company and its shareholders, and to make independent decisions taking into consideration the rights of the stakeholders;

g) I will be able to devote time to the extent required to follow the functioning of the Company and to fully perform my duties;

h) I have not served on the Board of Directors of the Company for more than six years in the last decade;

ı) I do not serve as an independent member on the Boards of Directors of more than three companies in which the Company or the shareholders that have management control over the Company have management control, and in total more than five companies listed on the stock exchange, and that

ii) I have not been registered and announced to represent the legal entity elected as a board member.

Sincerely,  
Ferruh EKER

February 26, 2016

**DECLARATION OF INDEPENDENCY**

I hereby declare my candidacy to serve as an independent member on the Board of Directors of Doğu Otomotiv Servis ve Ticaret A.Ş. ("Company") within the framework of applicable legislation, the Company's articles of association, and the criteria set forth in the Communiqué of Corporate Governance Principles regulated by the Capital Markets Board, and confirm that:

a) In the last five years, there has not been any relationship in terms of employment in a key management position with significant duties and responsibilities, or that would involve equity or materially substantial commercial transactions between the Company, the Company's related parties or corporate entities, which are related to shareholders with direct or indirect capital shares of 5% or more in the management and capital of the Company, and myself, my spouse, my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had held shares (of 5% or more) in, or been employed in a key management position with significant duties and responsibilities by, or served as a board member for any company, which the Company procures from or supplies to any goods or services at a substantial level under any respective contract, involving Company audit in particular (including tax inspections, legal inspections and internal audits), rating and consultancy services during the provision of such goods or services;

c) I possess adequate professional training, knowledge and experience to fulfill the duties I will assume as an independent board member;

d) In compliance with applicable legislation, I will not work full time for public institutions and organizations except as a faculty member in universities after my election as an independent board member;

e) I qualify as a resident in Turkey under the Income Tax Law;

f) I possess strong ethical standards, professional reputation and experience to provide positive contributions to the Company's operations, to maintain my objectivity in case of any conflicts of interest that may arise between the Company and its shareholders, and to make independent decisions taking into consideration the rights of the stakeholders;

g) I will be able to devote time to the extent required to follow the functioning of the Company and to fully perform my duties;

h) I have not served on the Board of Directors of the Company for more than six years in the last decade;

ı) I do not serve as an independent member on the Boards of Directors of more than three companies in which the Company or the shareholders that have management control over the Company have management control, and in total more than five companies listed on the stock exchange, and that

ii) I have not been registered and announced to represent the legal entity elected as a board member.

Sincerely,  
Emine Gülten ÖZGÜL



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 5.4. Procedures of Board of Directors Meeting

The Board of Directors convenes frequently enough to effectively fulfill its duties. The Articles of Association includes provisions on the number of meetings and quorum for Board meetings. Meeting days of the board are circulated to all members in advance. Board meeting dates are determined at the beginning of each year and announced to all participants. The Board of Directors convened 11 times in 2016, all of which were attended. In the absence of some members, they were duly informed and their opinions were taken in accordance with the general principles. Topics addressed in Board of Directors meetings are recorded as minutes of the meeting, and stored. Board Members have the right to declare different opinions on any subject, and to get their reservations recorded in the minutes. The Company's strategic goals, operational results, and performance indicators are monitored regularly by the Board of Directors through monthly meetings.

Each member of the Board of Directors has the right to one vote, and none of the members has a right to veto. The Board of Directors meetings are held in compliance with the legislation and the relevant sections of the Articles of Association.

The attendance ratios of the Board members in the Board of Directors Meetings in 2016 are listed below:

	Attendance Ratio*
Aclan Acar	100%
Osman Nezihi Alptürk	89%
Hayrullah Murat Aka	82%
Emir Ali Bilaloğlu	91%
Gür Çağdaş	89%
Özlem Denizmen Kocatepe	82%
Recep Yılmaz Argüden	82%
Ferruh Eker	100%
Emine Gülden Özgül	100%

\* Based on the meeting attendances after the General Assembly of 25 March 2016.

## 5.5. Committees Formed under the Board of Directors

The Board of Directors has formed the Audit Committee, the Corporate Governance and Sustainability Committee, the Early Risk Detection Committee and the Remuneration and Nomination Committee to fulfill its duties and responsibilities in a healthy manner. Separate Nomination and Remuneration Committees have not been established due to the structure of the Board of Directors, and their duties are fulfilled by a single Remuneration and Nomination Committee.

The duties, working principles and members of the Committees have been determined by the Board of Directors, publicly disclosed through Board-approved written documents, and announced on the corporate website. All members of the Audit Committee are independent Board Members. At least the Committee Head of the Corporate Governance and Sustainability Committee, the Early Risk Detection Committee, and the Remuneration and Nomination Committee is an independent Board Member, and the Executive Committee Chair/CEO does not serve on any of these committees.

The Board of Directors has provided the Committees with all kinds of resources and support required to fulfill their duties. When deemed necessary, Committees may invite executives to the meetings to obtain their views. Committee reports were evaluated by the Board of Directors, and necessary actions were taken by our Company.

Furthermore, the Remuneration and Nomination Committee works with consultancy firms on two separate topics.

1. The consultancy services of ARGE Danışmanlık A.Ş. are procured for the assessment of the Board of Directors and improving its efficiency. The said firm is not affiliated with our Company in terms of any equity relationship except for providing consultancy services. However, Recep Yılmaz Argüden, an Independent Board Member at our Company, serves as a Member on the Board of Directors at ARGE Danışmanlık A.Ş. For the consultancy we have received, we worked with Erkin Erimez, Ph. D., another official in the same firm.

2. For the Executive Board Dynamics Assessment and Leadership Development Project, the consultancy services are procured from RB Yönetim Danışmanlığı A.Ş. (Odgers Berndtson). The said firm is not affiliated with our Company in terms of any equity or management relationship except for providing consultancy services.

## AUDIT COMMITTEE

Ferruh Eker (Head of Committee – Independent Board Member)  
Recep Yılmaz Argüden

The Audit committee, consisting of Independent Board Members as defined by the CMB's Corporate Governance observations concerning Principles, carries out its activities according to the Audit Committee Bylaws. The Audit Committee assists Board of Directors in the oversight of accounting, auditing, internal control system, and financial reporting.

In this respect, the Audit Committee, on behalf of the Board of Directors, defines methods and criteria for the internal audit, the effectiveness and sufficiency of internal control and risk management, the functioning of the accounting and reporting systems in accordance with the Capital Markets Law and the principles therein, the integrity of information, the confidential assessment and resolution of complaints made to the Company regarding the internal control system, and the independent auditing and discretion in evaluation of notifications.

In addition to public disclosure of financial information and to regular monitoring of independent auditing activities, the Audit Committee also reports its findings as a result of its own duties and responsibilities, and evaluations to the Board of Directors.

The Audit Committee provides written information about its evaluations with regard to the veracity and accuracy of the annual and interim financial statements to be disclosed to public, supported by the opinions of the Company's responsible executives and independent auditors. Accordingly, four (4) written briefs were presented to the Board of Directors in 2016.

The Committee convened six (6) times in 2016, and also held one (1) joint meeting with the Early Risk Detection Committee. During the presentations by the Internal Audit Department, the Committee was informed about internal control, risk management, and governance processes as a result of audits, and the decisions reached were recorded in the minutes of the Committee meeting. In 2016, four (4) presentations were made to the Board of Directors by the Committee members about audit findings that were noted as "high risk".

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## **CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE**

Recep Yılmaz Argüden (Head of Committee – Independent Board Member)

Aclan Acar

Gür Çağdaş

Hasan Hüsnü Güzelöz

Halide Müge Yücel

The Corporate Governance and Sustainability Committee identifies whether or not Corporate Governance Principles are complied with, the reasons for why not, and conflicts of interest that may arise due to lack of compliance, and fulfills its duty for public disclosure with the Corporate Governance Compliance Report. The Committee also informs the Board of Directors on preventive/remedial measures for ensuring the implementation of sustainability principles, areas of opportunity and operational results. The Committee consists of five (5) members, including the Head of the Committee, who is an Independent Board member and two (2) non-executive Board members, with the fourth member the Manager of the Investor Relations Department, and is an appointed member of the Corporate Governance and Sustainability Committee, pursuant to the CMB Communiqué No. II-17.1.

When the Corporate Governance and Sustainability Committee consists of two members, both of the members should be non-executive, whereas if there are more than two members, then the majority of the members should be non-executive. Currently, the Committee complies with the Corporate Governance Principles in terms of its formation. The Committee has convened four (4) times in 2016, and regularly reported its findings and resolutions to the Board of Directors.

## **EARLY RISK DETECTION COMMITTEE**

Recep Yılmaz Argüden (Head of Committee – Independent Board Member)

Aclan Acar

Hayrullah Murat Aka

Hasan Hüsnü Güzelöz

The Early Risk Detection Committee consists of four (4) members, with the Head of the Committee an independent Board member. The Committee was severed from the Corporate Governance and Sustainability Committee as of April 2013, and its working principles were established. The Early Risk Detection Committee fulfills its duties and responsibilities in accordance with the legislation. The Committee, formed for early diagnosis of causes that threaten the Company's existence, development and continuity, taking precautions/remedies for their prevention, and managing risks, is responsible to run and develop the system. The Committee held a total of five (5) meetings in 2016, including one joint meeting with the Audit Committee, and presented regular reports to the Board of Directors to assess the risk situations, also sharing these reports with the auditor.

## **RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM**

Corporate Risk Management, which we established to revise and assess methods of defining uncertainties in a timely and adequate manner and to take remedial measures in accordance with the objectives of our Company's overall code of conduct, continues to evolve into a corporate culture that extends from top to bottom.

The Financial Control Department, operating under the General Directorate Responsible for Financial and Administrative Affairs as a consequence of the importance we attach to risks in the Company, was restructured in May 2015 as the Financial Control and Risk Management Department. By addressing the complementary nature of risk and control concepts together under the same roof, we maintain our goal of creating one single responsibility center and a common language. In line with this objective, a direct, comprehensive and integrated service is provided for the Early Risk Detection Committee as the command center for effective risk management, and full support is given to the supervisory duty of the Committee.

Our risk composition, considered on the basis of probabilities and possible effects of processes and scenarios, has

been redefined and expanded to include our growing sensitivity for health, safety, environment, business continuity, and sustainability in the recent years. Risk assessment and evaluation parameters, the use of common terminology, emergency response and crisis management approach, as well as all related reporting and shareholder information activities also continue to be reinforced accordingly.

The revisions we have made in accordance with our changing organization and our current environment are directed towards controlling and managing the risks following their analysis in accordance with the objective of the internal control system. Governing bodies, including relevant committees and executive management plan the necessary measures to be taken for assurance in accordance with our Company objectives, and address and monitor them through authorized channels.

## **REMUNERATION AND NOMINATION COMMITTEE**

Emine Gülden Özgül (Head of Committee – Independent Board Member)

Aclan Acar

Osman Nezihi Alptürk

Relevant executives and managers are invited for a meeting based on the topic, and asked to provide their opinions and input.

The Remuneration and Nomination Committee consists of three (3) members, with the Head and independent Board member. The Committee has convened three (3) times in 2016, and the issues identified in the meeting, the actions taken, and the results obtained were presented to the Board of Directors.

In line with the guidance and efforts of the Committee in 2016, and parallel to the Female Members Policy of the Board of Directors as one of the nomination criteria for Board members, female candidates are prioritized among those with commensurate skills and experience. Furthermore, a study on the structure, function, strengths and development areas of the Board of Directors were analyzed under the coordination of an independent firm to assess the structure and productivity of the Board, and recommend changes that may be implemented in these areas. Accordingly, an e-survey drafted by the firm was conducted along with face-to-face interviews with the members, and the results were presented to the Board of Directors for review.

In addition to these activities, the Executive Board Dynamics Assessment and Leadership Development Project, which included identification and assessment of, and recommendations on the Executive Board's function, strengths and development areas as well as was carried out under the coordination of an independent firm. Accordingly the firm conducted survey, held face-to-face interviews and a workshop, the results of which will be duly presented to the Board of Directors.

Other committees formed by the Board of Directors and their members are listed below:

- » Dealer Committee: Osman Cem Yurtbay, Emir Ali Bilaloğlu
- » Strategic Planning and Business Development: Özlem Denizmen Kocatepe, Emir Ali Bilaloğlu
- » Disciplinary Committee: Osman Nezihi Alptürk, Hasan Hüsnü Güzelöz, Emir Ali Bilaloğlu
- » Compliance Committee: Hasan Hüsnü Güzelöz, Hayrullah Murat Aka
- » Human Resources Committee: Aclan Acar, Emir Ali Bilaloğlu, Hasan Hüsnü Güzelöz

## **5.6. Financial Rights Provided to the Board of Directors and Managers with Administrative Liability**

The remuneration principles for the Board of Directors and the managers with administrative liability have been put into writing, presented to the General Assembly for approval, and disclosed electronically to the general public. In remuneration of independent members of the Board of Directors, payment plans such as dividend, stock options or payment options based on the Company's performance have not been considered. The remuneration of independent members of the Board of Directors has been set at a level to protect their independence.

Our company has not given loans or credit to any members of the Board of Directors or executives with administrative responsibilities, nor granted anyone any loan through a third party under the guise of personal loans, nor given securities on their behalf. Performance appraisals of the Board members have been conducted with the support of a professional organization using objective criteria.

In 2016, the total sum of financial rights granted to our company's managerial bodies and to managers with administrative liability, including their salaries and similar payments, health insurance and employer's contribution of social security, was TL 56,709 thousand.

# GENERAL INFORMATION

## 1. GENERAL COMPANY INFORMATION

The Annual Report covers the period from 1 January 2016 to 31 December 2016.

### 1.1. General Information on the Company

Company Title:	Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi
Company Address:	Maslak Mahallesi, Ahi Evran Cad. No: 4 İç Kapı No:13 (Doğuş Center Maslak) Sarıyer/İSTANBUL
Head Office:	Şekerpınar Mahallesi, Anadolu Caddesi, No: 22 41420 Çayırova / KOCAELİ
Phone:	(0262) 676 9090
Fax:	(0262) 676 9096
Website:	www.dogusotomotiv.com.tr
Date of Establishment:	19.11.1999
Trade Registry No:	429183 / 376765

### 1.2. Information on Capital Structure and Shareholding

As of 31 December 2016, no changes occurred in the Company's issued share capital. In the reporting period, neither a capital increase nor capital market instruments were issued by our Company. The merger of Doğuş Nakliyat A.Ş. with Doğuş Holding A.Ş. has led to a change in shareholding within the organization itself.

Shareholder's Commercial Title	Share in the Capital (TL)	Share in the Capital (%)
Doğuş Holding A.Ş.	77,461,622	35.21
Doğuş Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş.	66,638,086	30.29
Doğuş Sigorta Aracılık Hizmetleri A.Ş.	292	0.00
Publicly Traded Shares	75,900,000	34.50
<b>Total</b>	<b>220,000,000</b>	<b>100</b>

### 1.3. Privileged Shares

In the current shareholding structure of our Company, as of 31 December 2016 as described above, there are no privileged shares in our Company.

### 1.4. Governing Body, Senior Executives and Personnel

In 2016, the average number of employees was 906 for blue collars and 1,802 for white collars.

### 1.4.1. Information on Senior Executives for the year 2016 and Duties of Board Members

Name Surname	Position	Starting Date	Duration
Aclan Acar	Chairman of the Board of Directors, Head of Human Resources Committee, Corporate Governance and Sustainability Committee Member, Early Risk Detection Committee Member, Remuneration and Nomination Committee Member	25 March 2016	2 years
Osman Nezih Alptürk	Vice Chairman of the Board of Directors, Remuneration and Nomination Committee Member	25 March 2016	2 years
Hayrullah Murat Aka	Board Member, Compliance Committee Member, Early Risk Detection Committee Member	25 March 2016	2 years
Emir Ali Bilaloğlu	Board Member, Dealer Committee Member, Strategic Planning and Business Development Committee Member, Disciplinary Committee Member, Human Resources Committee Member	25 March 2016	2 years
Gür Çağdaş	Board Member, Corporate Governance and Sustainability Committee Member	25 March 2016	2 years
Özlem Denizmen Kocatepe	Board Member, Strategic Planning and Business Development Committee Member	25 March 2016	2 years
Recep Yılmaz Argüden	Board Member, Audit Committee Member, Head of Corporate Governance and Sustainability Committee, Head of Early Risk Detection Committee	25 March 2016	2 years
Ferruh Eker	Board Member, Head of Audit Committee	25 March 2016	2 years
Emine Gülden Özgül	Board Member, Head of Remuneration and Nomination Committee	25 March 2016	2 years

\* Furthermore, Mr. Cem Yurtbay has duties in the Dealer Committee, Mr. Hasan Hüsnü Güzelöz in the Committees of Corporate Governance and Sustainability, Disciplinary, Compliance, and Human Resources, and Ms. Halide Müge Yücel in the Corporate Governance and Sustainability Committee, respectively.

### 1.4.2. Employees Involved in the Management

Name Surname	Position	Education
Emir Ali Bilaloğlu	Chief Executive Officer	M.Sc. in Engineering
Kerem Talih	General Manager, Financial Affairs	Economics
Giovanni Atilla Gino Bottaro	General Manager, Audi, Bentley, Lamborghini and Bugatti	Mechanical Engineering
İlhami Eksin	General Manager, Scania, Thermo King, DOD Heavy Vehicles, Scania Industrial and Marine Engines	Economics
Anıl Gürsoy	General Manager, DOD, SEAT and Porsche	Business Administration
Kerem Güven	General Manager, VW Commercial Vehicles	Tourism & Hotel Management
Mustafa Karabayır	General Manager, Spare Parts and Logistics	Geology Engineering / M. Sc. in Civil Engineering
Tolga Senyücel	General Manager, ŠKODA Yüce Auto	Business Administration / MBA
Vedat Uygun	General Manager, VW Passenger Vehicles	Mechanical Engineering / MBA
Ela Kulunyar	General Manager (acting), Human Resources and Process Management	Business Administration
Koray Bebekoğlu	Director, Strategic Marketing and Corporate Communications	Mining Engineering / MBA
Yeşim Yalçın Maleri	Director, Financial Affairs	Economics



## GENERAL INFORMATION

### 2. REMUNERATION OF THE BOARD MEMBERS AND SENIOR EXECUTIVES

In 2016, the total remuneration, including salaries, health insurance, employer's contribution for social security and other benefits, of the board members and senior executives amounted to TL 56,709 thousand.

### 3. RESEARCH & DEVELOPMENT

The Company did not carry out any research & development activities in 2016.

### 4. MATERIAL DEVELOPMENTS REGARDING COMPANY OPERATIONS

#### 4.1. Investments

The Company invested TRY 208,200 in fixed assets in 2016 including vehicle purchases, showroom renovations, and service equipment procurement. Also included in these investments is the ongoing construction of the showroom, parking lot and tower building in Kartal.

#### 4.2. Internal Control and Internal Auditing Activities

The internal control and internal auditing activities carried out within the Company aim to ensure the effective, reliable, and uninterrupted management of the company's services and assets, and create a safe environment to maintain the integrity and consistency of information, allowing timely access and protection.

With internal control practices an integral part of our policies and procedures, our objective is to protect the rights of shareholders and interest holders, ensure that the Company's financial and non-financial information are realistic and accessible, comply with legislation and the Articles of Association, and carry out operations effectively and efficiently. Given that internal control is a living activity and its assessments provide an instant view of the system, our existing structure has been reinforced with the three lines of defense. The internal control system, conducted by the managers and employees, constitutes the primary defense line while the Financial Control and Risk Management activities, which were restructured under the General Directorate Responsible for Financial Affairs, create a second line of defense. Functioning directly at operational level, Financial Control and Risk Management acts in coordination with the other control units such as Internal Audit and Legal. Our third and final line of defense is composed of our internal auditing activities.

The Internal Audit Department reports to the Audit Committee, and operates within the scope of regulations set out in accordance with international standards. The department regularly and systematically audits and reviews the Company processes and internal control activities according to a risk-based annual audit plan approved by the Board of Directors. Six (6) meetings with the Audit Committee and one (1) meeting with the Early Risk Detection Committee were conducted throughout 2016 to discuss and review the independent audit results and the regular audits, inspection and investigations carried out by the Internal Audit Department.

The Internal Audit Department, which takes care to comply with international standards of internal auditing activities, evaluated the development opportunities in 2016 by considering senior management expectations and similar industry practices as it has done since 2014 when quality assurance of internal audit activities was implemented. In this respect, steps were taken to audit Information Technologies as their weight in the audit plan has been increased. Furthermore, continuous auditing commenced in 2016, to contribute to the effectiveness and efficiency of audits by providing daily, weekly and monthly reporting through the system and by developing audit methodology that can generate results over all data instead of sampling. The objective for 2017 is to increase the weight of continuous audits in the regular audits.

### 4.3. Information on Direct and Indirect Subsidiaries and Their Share Rates

Company Title	Area of Operation	Paid-in / Issued Capital	Company's Share in Capital	Monetary Unit	Company's Share in Capital (%)	Relation to Company
DOĞUŞ HOLDİNG A.Ş.	Holding Company	856,027,050,000 TRY	31,575,087,000 TRY	TRY	3.69	LONG TERM SECURITY
VDF SİGORTA ARACILIK HİZMETLERİ A.Ş.	Insurance and Brokerage Services	2,000,000,000 TRY	40,000 TRY	TRY	0.00	LONG TERM SECURITY
D-AUTO SUISE SA	Vehicle Trading & AS Services - Lausanne / Switzerland	11,788,000,000 CHF	11,782,248,000 CHF	CHF	99.95	SUBSIDIARY
DOGUS AUTO MISR FOR TRADING AND MANUFACTURING VEHICLES JSC	Vehicle Trading & AS Services - Egypt	72,000,000,000 EGP	71,950,000,000 EGP	EGP	99.93	SUBSIDIARY
D-AUTO LIMITED LIABILITY COMPANY	Vehicle Trading & AS Services - Iraq	150,000,000,000 IQD	150,000,000,000 IQD	IQD	100.00	SUBSIDIARY
DOĞUŞ OTO PAZARLAMA VE TİCARET A.Ş.	Vehicle Trading & AS Services	45,000,000,000 TRY	43,288,270,000 TRY	TRY	96.20	SUBSIDIARY
DOĞUŞ BİLCİ İŞLEM VE TEKNOLOJİ HİZMETLERİ A.Ş.	IT Infrastructure & Software	9,750,000,000 TRY	4,485,000,000 TRY	TRY	46.00	AFFILIATE
DOĞUŞ SİGORTA ARACILIK HİZMETLERİ A.Ş.	Insurance and Brokerage Services	1,265,000,000 TRY	531,232,000 TRY	TRY	42.00	AFFILIATE
VDF SERVİS VE TİCARET A.Ş.	Automotive Products & Services	5,100,000,000 TRY	1,924,230,000 TRY	TRY	37.73	AFFILIATE
VOLKSWAGEN DOĞUŞ FİNANSMAN A.Ş.	Automotive Consumer Financing	180,000,000,000 TRY	86,399,987,000 TRY	TRY	48.00	AFFILIATE
YÜCE AUTO MOTORLU ARAÇLAR TİCARET A.Ş.	ŞKODA Turkey Distributor	2,100,000,000 TRY	1,049,999,400 TRY	TRY	50.00	AFFILIATE
MEİLLER DOĞUŞ DAMPER SANAYİ VE TİCARET LTD. ŞTİ. <sup>1)</sup>	Tipper Manufacturing and Sales	56,400,000,000 TRY	27,636,000,000 TRY	TRY	49.00	BUSINESS PARTNERSHIP
TÜVTURK GÜNEY TAŞIT MUAYENE İSTASYONLARI YAPIM VE İŞLETİM A.Ş.	Vehicle Inspection Stations	25,250,000,000 TRY	8,332,836,000 TRY	TRY	33.00	BUSINESS PARTNERSHIP
TÜVTURK KUZAY TAŞIT MUAYENE İSTASYONLARI YAPIM VE İŞLETİM A.Ş.	Vehicle Inspection Stations	67,100,000,000 TRY	22,143,895,000 TRY	TRY	33.00	BUSINESS PARTNERSHIP

\* The sale of the Company's production and administration facility has been concluded, and the brand distributorship agreement with our Company has been terminated.

Detailed information about the transactions performed during the year pertaining to Company's Direct and Indirect Subsidiaries is provided in the accompanying notes to the consolidated financial statements for the year ending on December 31 in the "Note 28: Balances and Transactions with Related Parties" section.

### 4.4. Information on the Company's Share Buy-Back Policy and Program

In the event that the Board of Directors of Doğu Otomotiv resolves to buy-back its shares or accept them as pledge, all necessary public disclosures and announcements shall be made pursuant to "Communiqué No: II-22.1 on Buy-Backed Shares", which was published in the Official Gazette No. 28871 on 3 January 2014.

The Material Disclosure Statement related to the buy-back of the Company's publicly traded shares was announced to the public in electronic environment on 27 July 2016 on the Public Disclosure Platform (PDP) at 09:36.

"At the company's Board of Directors meeting that convened at 9.00 am on 27 July 2016, it has been unanimously resolved that:

1- Due to the ongoing developments in our country, and given that the shares of our Company have lost value as did other Publicly Traded Joint Stock Companies' shares traded in Borsa Istanbul, and the capital markets have been adversely affected, and pursuant to the Board's announcement on 21 July 2016, and further announcement on 25 July 2016, the Company's publicly traded shares be bought back in order to relieve the adverse effects and to contribute to the resolution as a company,

## GENERAL INFORMATION

2- The total amount of the shares to be bought back not to exceed TL 524.000.000, which is the total amount of the assets that can be subject to dividend distribution in the last annual financial statements prepared in accordance with the Board regulations, and not to exceed 22.000.000 shares that correspond to 10% of the issued capital of the Company.”

Within the scope of the Company's Share Buy-Back Program initiated by the Board of Directors resolution, our Company bought back 22.000.000 of its publicly traded shares in 2016 in accordance with the CMB legislation for TL 220,274,251.16 in total.

#### 4.5. Information on the Private and Public Audits within the Fiscal Period

The Company and its Affiliates have not had any disputes that arose/were finalized regarding the private and public audits in 2016.

#### 4.6. Information on the Legal Actions Brought Against The Company, Actions That May Affect The Financial State and Operations of the Company and Their Possible Consequences

There are no cases brought against the Company, neither are there any cases that may affect the financial state and operations of the Company.

#### 4.7. Information on the Administrative and Judicial Sanctions Imposed on the Company and its Governing Body Due To Noncompliance With The Legislative Provisions

There were no administrative and judicial sanctions imposed on the governing body.

Various fines and judgments were rendered against our Company under the following articles of the Customs Law No. 4458.

- » Fines applicable to actions that cause tax loss (Article: 234-238)
- » Fines related to irregularities (Article: 239-241)

Through negotiations and discounts for payments in cash, a total of TL 11,810 was paid in fines, and no sentences were referred to administrative rulings in 2016.

Pursuant to Law on Road Transport No. 4925, the Ministry of Transport, Maritime Affairs and Communications has rendered a fine in the amount of TL 1.900 on account of the four company-owned vehicles, which were sold and transferred, but their K2 Transportation Certificates were not cancelled; and the amount was paid in full.

#### 4.8 Information on Materially Significant Asset Acquisitions or Sales

Information on asset acquisitions or sales is provided in the accompanying notes of the consolidated financial statements of the years ending on 31 December under "Note 12 – Property and Equipment " and Note 13 – Intangible Assets”.

#### 4.9 Information on Possible Conflicts of Interest with Service-Providing Companies

During the January 1, 2016 - December 31, 2016 period, there were no conflicts of interest between our Company and other companies that provide investment consultancy, rating, and other services. Diligent efforts are made to prevent conflicts of interest in the contracts as well as intercompany activities to comply with the Company's Code of Ethics.

#### 4.10 Information on Some Legislative Changes that may Materially Affect the Company's Operations

Law on the Protection of Personal Data No. 6698, published in the Official Gazette dated 7 April 2016 had an impact on the Company's operations.

Pursuant to the CMB's press release of 21 July 2016 regarding the "Share Buy-Back Program", the Company has determined how the Share Buy-Back Program would be implemented.

The amendment on the "Special Consumption Tax" within the scope of Law No. 6745 dated 20 August 2016, and published in the Official Gazette dated 7 September 2016, had an impact on the automotive sector and subsequently the Company's activities.

Furthermore, the amendment on the "Special Consumption Tax" within the scope of Law No. 6761 dated 16 November 2016, and published in the Official Gazette dated 24 November 2016, also had an impact on the automotive sector and subsequently the Company's activities.

#### 4.11. Information on Attaining the Targets Set in the Previous Terms and Fulfilling General Assembly Resolutions

There were no targets that our Company did not attain, nor any General Assembly resolutions not fulfilled by our Company during the operating term.

#### 4.12. Information on the Extraordinary General Assembly

The Company did not convene an Extraordinary General Assembly in 2016.

#### 4.13. Information on Relations with Customers and Suppliers

##### 4.13.1. CRM – Customer Relations Management Unit

A CRM - Customer Relations Management Unit was set up within the Company's Strategic Marketing and Corporate Communications Department for the purpose of managing customer satisfaction, implementing leaner customer communication processes, elevating customer loyalty/profitability, ensuring closer communication with customers, and monitoring and recording our relations with customers.

The key responsibilities of the CRM Unit include:

1. Taking all necessary steps to ensure that customer data are stored properly, kept up-to-date and in an accessible manner;
2. Ensuring that a customer-oriented working concept is adopted as a corporate culture across the entire organization;
3. Conducting and reporting of internal and external customer satisfaction surveys (CSS, CSI, DSS) to improve processes, measuring, evaluating and reporting results;
4. Performing, measuring and reporting optimized direct marketing activities (via email, SMS, MMS, direct mailing, and web) within the scope of permission-based marketing, in response to the demands of authorized dealers and brands,
5. Making the necessary infrastructure available to enable the brands to structure their marketing and sales operations to suit target audiences;
6. Designing and carrying out common projects with the brands, authorized dealers and services;
7. Procuring social and digital media listening and reporting services, developing software to respond to customer complaints received via the social media and convert them into sales opportunities;
8. Enhancing the customer recognition, monitoring and information functions in the Turkuaz system used by all brands and authorized dealers to make them more effective, leaner and more comprehensive based on the needs;
9. Designing, managing, and coordinating loyalty projects,
10. Managing processes to obtain permission from customers for using their contact information and processing such data;
11. Coordinating the projects created by the Value and Care Center (DIM) for brands, subsidiaries, and third-party companies ;
12. Managing "CRM Scorecard" designed for the purpose of measuring the effect of CRM activities on the brand performance.

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The Customer Experience activities carried out in 2016 included:

For the purpose of monitoring the customer experience, the touch points and channels where the customers engage with the Volkswagen, Volkswagen Commercial Vehicles, Audi, SEAT, DOD brands in the customer journey from presale to sales and aftersales stages have been identified, and processes have been mapped for every identified step. This activity called the Customer Journey .Map will form the departure point for these brands' improvement requirements, and be used to spread the best practices among various brands.

An independent survey company has conducted a CSS and interviewed 77,827 customers to monitor how satisfied they were with sales and services. In line with global trends, satisfaction surveys are changing from measuring customer processes into a structure of assessing and measuring the customer experience. Accordingly the questions are getting shorter and surveys are evolving into a system that focuses on obtaining the customers' reviews of their experiences, and toward improving the services directly one on one. As digitalization reduces the need for phone calls and increases online surveys, the infrastructure preparations for technological advances were completed, and long-term pilot activities were carried out for online surveys. The data required for research were integrated into the system, and important steps were taken toward monitoring the data quality.

With mobile apps being used more and more, and loyalty platforms getting increasingly widespread, the brands of Doğuş Otomotiv began to be included in the Zubizu Mobile App. As special deals and promotions are defined for Zubizu customers, Doğuş Otomotiv benefits from the opportunity to reach prospects through the joint loyalty platform and also offers a wide range of privileges and advantages to its customers for other companies in different industries.

The different screens where customer information is viewed have been unified in one visually enhanced screen with the big data management approach. During the development phase, all customer data stored in the Turkuaz system were evaluated, and a new screen featuring cleverly used colors and icons on a visually enhanced and lean interface was designed together with user experience experts to enable the sales consultants to easily access detailed information on customers. These screens were tested with pilot users for a couple of months, and after a number of enhancements wider implementation started. The same screens are also used in connection with the Turkuaz system to show personalized recommendations to first time customers in topics they may be interested in or offer special discounts.

Aiming to create "Fan Customers" to increase the customers' loyalty to our brands and/or Doğuş Otomotiv, certain criteria were defined, and customers that met these criteria were identified. In order to further improve these customers' satisfaction and reinforce their loyalty by assessing them at every touch point, the services are continuously enhanced.

In order to improve customer loyalty at service level, the big data on the Turkuaz system have been analyzed, and churning customers that are most likely to stop coming to the aftersales services have been identified using statistical modeling. A new model developed with the special communication studies to such customers is currently in the testing phase.

We have also moved to a new system in procuring social media follow up and reporting services for the purpose of monitoring our customers' experiences on social media, capture prospects that are interested in our vehicles, and observe the changes in our brands' reputation on social media. This change has enabled us to monitor more key words, and also resulted in an increase in the captured views with exiting search words while the analysis and reporting capabilities were improved.

An SMS verification system has been developed to validate the mobile phone numbers entered into the system and improve the quality of the data of over 5 million customers currently on the Turkuaz system. Furthermore the algorithm used to unify customers is being replaced by a more advanced algorithm that is able to assess the similarity rates. This change will greatly reduce the creation of duplicate customer registrations.

For the purpose of carrying out direct marketing activities more easily, faster and more secure, new software has been developed to send SMS and e-mails via Turkuaz. It has been made available for all the brands, authorized dealers and services, reducing the sending time which took up to 3 (three) days in the past to only one day, and ensuring data security by retaining the data within the Turkuaz system.

Within the scope of Law on the Protection of Personal Data published on April 7, 2016, necessary steps have been taken to process and protect customer data, and to share them with third parties whose services we procure on a limited basis. The system and reporting functions have been improved to operate according to customer permission, the inventory of CRM data has been generated, Turkuaz authorizations have been reorganized, and personal data of a private nature have been removed from the Turkuaz database.

The gift gas campaign that was launched in July 2015 in partnership with BP Petrolleri A.Ş., resulted in updating the vehicle and contact information of more than 100,000 customers. The BP campaign was terminated on 16 November 2016, and for the purpose of moving forward on the same platform with other group brands, we joined the Zubizu-Shell campaign that offers our customers the added value of "payment without leaving the vehicle."

Aiming to build a modern operator system with functions similar to a Call Center to manage the increasing phone traffic at the Authorized Dealers and monitor the call waiting and response times at personnel level, a new project was developed. Pilot phase continues to be initiated at companies and Authorized Dealers with the capabilities to implement the project. After observing the product and service quality of different suppliers, the ideal solution will be determined and the project will be more widely implemented in 2017.

203 enhancements have been carried out with the Turkuaz system in use at all our Authorized Dealers in order to make customer monitoring easier, increase customer satisfaction, and shorten the work processes of advisors.

### 4.13.2. Value and Care Center (DIM)

Aiming to increase customer satisfaction in sales and after sales services in line with the vision of "Creating Fan Customers," our Company has brought together the previously outsourced services such as dialog (care management), road assistance, and call center operations (surveys and bookings) under its own roof with a new quality concept. Named the Value and Care Center (DIM) to highlight how much the customers are valued and cared for, the unit was structured under the Strategic Marketing and Corporate Communications Department in November 2014, and set up at a separate location in Kavacık to deliver creative services beyond expectations, create positive customer experiences, and increase the number of fan customers by promoting value and inspiring trust.

In addition to lending support to all our brands at every customer lifecycle stage, DIM also continues to improve the quality and variety of its services through projects. The DIM operation that aims at bringing a service and quality standard to customer contact points makes it possible for brands and authorized dealers to follow consumer expectations and opinions transparently and in real time with the reporting functions it offers.

DIM is based on the idea that not only customers but also employees need to feel valued. To that end, an environment was created in which employees felt valued and important, showed initiative, and participated in decision-making.

**DIM provides the following services:**

**1. Care Management (Diyalog):** Managing demands (requests, complaints, suggestions, gratitude, etc.) concerning branded vehicles that Doğuş Otomotiv imports, authorized dealers and services, and meeting customer needs and expectations mean our customers receive the value and care they deserve. These demands are conveyed to DIM through various communication channels such as email, chat, fax, social media, and letters.

In 2016, DIM successfully responded to 133,041 dialog calls, which correspond to a 14% increase year on year while the average speed of answer (ASA) was 23 seconds.

Customer emails answered totaled 40,923 with average email response time 6 minutes. DIM also held a total of 28,403 chats, and replied to 60,700 notifications on social media (twitter and facebook).



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As an important part of generating more valuable and comprehensive data for the brands that we and DIM serve, 110,514 calls were recorded, which marks a 49% increase in recording time of the incoming requests.

**2. Road Assistance:** Covers road assistance services offered for vehicles imported by Doğuş Otomotiv, VDF Insurance policyholders and VDF Fleet Renting vehicles' users. The primary goal of road assistance services is to enable customers to continue with their journey. We aim to make customers feel safe against adverse situations that may arise on the road, and to reach them as quickly as possible to provide all-encompassing road assistance.

DIM responded to 315,814 calls for road assistance in 2016, seeing a 19% increase compared to the previous year while the average speed of answer (ASA) for these requests was recorded as 20 seconds.

The "emergency service" offered by DIM to its customers reached 25,065 in number with an increase of 13% year on year.

Meanwhile, the car towing services offered to customers by DIM decreased by 3% in 2016, and totaled 27,844.

During these operations, DIM provided its customers with 4,132 temporary vehicles.

The number of road assistance calls increased by 14% in 2016 on the previous year, totaling 125,382.

And finally, customer satisfaction with road assistance was rated at 93.13%.

**3. Surveys:** Calling customers to verify data and service quality with the aim of getting specific answers to scripted questions. The main goal is to enable our brands to maintain their current customers and proactively reach potential new customers. Calling customers and recording data are essential in terms of managing CRM operations accurately and effectively to maximize sales opportunities with new and loyal customers, and use potential and existing customers' data properly. DIM conducted surveys with 412,185 respondents for 28 different projects in 2016.

**4. Appointments:** Involves planning and booking appointments for maintenance and repairs since authorized aftersales services are the initial contact with the customer after a vehicle is sold. This process is fundamentally built on attending to the customer's needs and expectations. It also involves coordination with the relevant Authorized Service regarding workshop planning. In 2016, our dealer Şenyıldız began to book appointments via DIM. Throughout the year, the appointment line (Doğuş Oto and Şenyıldız) received 269,585 calls, with 106,849 resulting in bookings.

**5. Used Vehicle Sales:** Involves analyzing the requests received from DOD customers through the website, social media, and by phone about buying, selling and purchasing used vehicles, and their insurance and financing conditions, presenting results to customers, and establishing contact between customers and authorized dealers. DOD calls increased by 69% year on year and reached 37,092 in 2016.

While the world average for Service Level as one of the key indicators for the call center industry is 75%, DIM's score was 80% in 2016.

In the Secret Customer measurement conducted for VW Passenger Vehicles in Germany we scored 88.3 points with DIM. This is an important indicator of DIM's service quality as documented by an independent study commissioned by VW AG.

NPS surveys that evaluate customer representatives, service quality and the impressions left on the customers revealed a score of 83.96 points in 2016.

The quality score of interviews conducted by customer representatives was 90.79 as determined by the quality measurement of DIM customer representatives.

DIM always considers service excellence a priority, and works on contract with towing companies operating in important and high-intensity areas, followed by quality measurements. In 2016, customer satisfaction surveys for services provided by the towing contractors of DIM resulted in 92.74 out of 100.

The DIM employers also contributed to this process with 315 suggestions in 2016, topping the list with the highest number of suggestions submitted within the entire organization.

DIM employees are offered a platform where they compete against each other on a monthly basis with the aim of offering a unique experience to their customers. The platform, named "Passion for the Road," rewards the employer that creates the best experience for their customers. In 2016, 12 out of 72 candidates for unique customer experience received the "Passion for the Road" award.

### 6. New programs and applications:

**DIM Rent A Car (RAC):** Since 2015, DIM VW and Audi have been providing our authorized dealers with temporary car rental service to better serve our customers stranded on the road, allowing them to experience our upper segment VW Passat and Audi A4 vehicles.

**DIM Technical Expert:** The Technical Expert Support program has been introduced with the aim of elevating customer satisfaction and reducing service period by having a highly qualified technical expert in-house. With this program, the customer representative taking a road assistance call decides on the course of action regarding specific issues by conferring with the Technical Assistance Expert, without having to first talk with Emergency Service staff. The goal is to shorten the duration of calls with Emergency Service staff, increase efficiency, and decrease wait periods for the customers. The program has resulted in a 19% increase in efficiency.

**D-Pedia Dictionary:** A new web-based frequently asked questions part has been set up to allow customer representatives to answer customer questions in a timely manner and to record these questions and problems in corporate memory.

**Online Performance System:** The new software developed especially for DIM has been integrated into the performance system, informing customer representatives about assessment results (call quality, tests, etc.) simultaneously as they are measured.

**Diyalog Mobile App:** The first phase of DIALOG mobile app developed to meet customer expectations and deliver a unique customer experience has been implemented. When the customer is stranded on the road, their location can be identified through the app, and communicated to the emergency service / towing company for immediate action. The location of the emergency service and the tow truck can be also monitored by the customers on their smart phones. The app helps the customers to benefit from road assistance services with one click.

Only in the second year after its launch, DIM was awarded with the ISO EN 15838 Customer Management System certification, which is an international standard with industry requirements for Call Centers and earned by customer-oriented service providers; as well as ISO 10002 certification in accordance with ISO 9001, a management approach that enables forming more useful and long-term relationships with customers and improves those relationships.

At the fifth annual Call Center Customer Experience Summit and Quality League Award Ceremony organized by Telephone Doctor Turkey, DIM was recognized with the 'Best Approach' award among 33 companies in 2016.

DIM also won first prize in the 'Best Customer Experience' category at the eleventh annual Contactcenterworld.com Awards, considered the world's most prestigious award of the customer relations management industry among 45 companies shortlisted in 34 categories, as well as the second prize in the 'Best Call Center Design' category.

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With the Positive Discrimination Project launched in 2016, DIM has implemented a new practice to provide faster service to people with disabilities, woman and +60 age group among the customers they serve, and to minimize their waiting times. Defining these customers in the system connected to DIM and the operator system enables them to be automatically taken to the front of the queue, with a sign appearing on the screen of the customer representatives about the customer's special case (woman, disabled or +60). In this respect, a difference is made in the service both in terms of treating the customer and also in service time.

### 7. Project-Based Activities:

- a. Analyzing and reporting requests, complaints, and demands received from the field, and implementing improvement projects;
- b. Giving regular feedback to aftersales service teams regarding emergency services, contributing to the efforts for compensating for shortages and maintaining standards;
- c. Carrying out brands' customer relations projects [such as managing the Lead system, providing exclusive call center service for the VW Commercial Vehicles Premium project, Digiturk Portal, DMF leads, VW Shop, D-Gym, meeting periodical campaign demands (dost drive, etc.), and Scania Corporate operations];
- d. Updating customer data on project basis by calling customers of a specific brand or authorized dealer;
- e. Developing projects for brands by taking part in their annual planning process;
- f. Carrying out activities aimed at improving customer relations by observing customer experiences at authorized dealers that are open to improvement, and making results available to the whole organization;
- g. Carrying out training and motivation programs for emergency services and towing companies to improve processes and increase customer satisfaction.

DIM also manages the "CRM Scorecard", a special project designed to measure the effects of CRM activities on brand performance.

Carrying out telemarketing work (sales of accessories, warranties, etc.).

### 4.13.3. Suppliers

Our cooperation with the suppliers that we count among our primary stakeholders is based on an understanding of building open and productive relationships. This is how Doğuş Otomotiv develops long-lasting collaboration with all suppliers.

Doğuş Otomotiv's transparent and close relationship more than 20 years with manufacturers of international brands, which the company has been representing as a distributor for many years, has been continuously growing since the Company took over the distributorship of Volkswagen and Audi brands in 1994. Today, Doğuş Otomotiv is the only distributor in the world to gather all the brands associated with the Volkswagen Group under one umbrella. In its dealings with all its social stakeholders, Doğuş Otomotiv is driven by its vision of providing "creative service beyond expectations" and, as a result of this approach, engages in long-term partnerships that keep growing over time. The company, as the holder of ISO 9001:2000 certification by TÜV Germany, covering the Volkswagen, Audi and SEAT brands and the Logistics Center, regards customer satisfaction and quality as its most important values.

Doğuş Otomotiv acts with utmost diligence when selecting its suppliers. Those that meet the main selection criteria are audited on site. Based on the audit scores, the suppliers are then evaluated to determine whether or not they would be eligible to remain on the approved list. Those criteria also apply to companies yet to be included in the list.

The wide range of selection criteria include holding TSE, ISO 9001 Certification / TSE Quality Certification, manufacturer's seal of approval, a current and industry-standardized Capacity Report by the Union of Chambers and Commodity Exchanges of Turkey, and not having any outstanding tax liabilities or debts to the Social Security Institution. Companies operating in the main services fields, including cleaning, food, printing, printed documentation, personnel transportation, security, and textiles are regularly audited for their compliance with the selection and evaluation criteria.

In 2011, a supplementary protocol to the existing agreements with our suppliers was drawn up to ensure that economic, environmental and social risks are predicted, and Doğuş Otomotiv's corporate sustainability vision is espoused by our suppliers. Three of our suppliers were included as pilot in the Corporate Sustainability Report as part of a new program launched in 2015. This program, which has been expanded with the aim of supporting the efforts to promote sustainability and corporate responsibility among our suppliers that form a significant link in our value chain, and raising awareness of their development areas by measuring their performance in social, environmental, ethical and economic responsibility areas, is planned to continue in 2017 to reflect on the evaluation and audit processes as well. Doğuş Otomotiv also manages its supply chain very effectively. Our supply chain management is presented in detail in our Corporate Sustainability Report, published for the seventh time in 2016: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-at-dogus-otomotiv/sustainability-reports>

### 4.13.4. Sustainability and Corporate Responsibility Activities

#### BIST SUSTAINABILITY INDEX

For the second consecutive year, Doğuş Otomotiv has been included in the BIST Sustainability Index, which is composed of companies with highest corporate sustainability performances whose shares are traded in the Borsa Istanbul, for the period from November 2016 to October 2017.

#### CORPORATE RESPONSIBILITY

Doğuş Otomotiv is committed to being an exemplary corporate citizen both at home and in the world by generating ultimate sustainable and innovative solutions for its social and ecological stakeholders across the automotive value chain.

Our Corporate Responsibility strategy is to become an indispensable business partner for our stakeholders by focusing on continuous growth across the automotive value chain, and delivering outstanding performance with complete, timely, and accurate service. We evaluate, monitor, and manage our performance according to the priorities set in in line with our policies.

We at Doğuş Otomotiv have defined our understanding of Corporate Responsibility by considering the requirements of global standards, our priorities directly related to our field of we use to determine the solutions we generate for the social, economic and environmental issues in our industry, and our organizational approach to all of our operations.



Doğuş Otomotiv has been releasing Corporate Sustainability Reports in compliance with the GRI (Global Reporting Initiative) since 2009. The corporate policies pertaining to the performance areas reported within this framework were studied by sub-committees composed of the Corporate Responsibility Work Group members in 2010, and the policies prepared were presented to and approved by the Corporate Responsibility Steering Committee. Our policies are published within the scope of Corporate Sustainability Reports, and disclosed on our corporate website.

## GENERAL INFORMATION

### CORPORATE RESPONSIBILITY MANAGEMENT

At DoğuŖ Otomotiv, Sustainability / Corporate Responsibility management has been organized to carry out the principles of responsibility and accountability in all our business processes, to lead in areas related to sustainability, and to encourage guidance. We know that being a leader of sustainability at the level of the Board of Directors and the Executive Board is critically important for integrating sustainability management and related performances into the culture, processes, and business relations of our Company.

We approach sustainability management systematically to understand the risks related to our activities and manage them proactively. The inclusion of meticulously assessed risks and their careful management in the decisions we make regarding our business brings long-term value to all of our stakeholders.

The DoğuŖ Otomotiv Executive Board established a Corporate Governance and Sustainability Committee in 2015 with the aim of monitoring activities regarding sustainability, setting targets, and managing processes. The committee is responsible for the implementation of the corporate governance principles as well as carrying out management, consulting, and coordination work as may be required by relevant institutions and stakeholders in line with the social, environmental, economic, and ethical responsibilities of our company. The Corporate Responsibility Working Group, comprising directors and personnel from all the departments at our company, presents regular reports to the Committee. Detailed information on Corporate Responsibility Management is published in the DoğuŖ Otomotiv Corporate Sustainability Report: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-at-dogus-otomotiv/sustainability-reports>

### STAKEHOLDER ENGAGEMENT

As Turkey's leading automotive distributor, DoğuŖ Otomotiv's approach to corporate leadership, is based on its policy of taking stakeholder expectations into account in all decision-making processes and setting targets accordingly, and establishing continuous, transparent and regular communication with its stakeholders. DoğuŖ Otomotiv considers all platforms that bring the Company together with its stakeholders, where they can express their expectations, as a natural part of the business processes.

As an institution that inspires confidence among the public with its size and standing, and embraces principles of corporate governance and ethics, DoğuŖ Otomotiv continues to succeed in all lines of business, sharing its earnings with the society and fulfilling its responsibilities. The Company plays an active role in managing corporate communications and relations. DoğuŖ Otomotiv also presents information with a specific approach, and steers industry-related developments. Aiming to stand close to its stakeholders, DoğuŖ Otomotiv complies with the principles of high business moral and honest codes of conduct.

In terms of its business targets, strategic growth and social endeavors, DoğuŖ Otomotiv attaches great importance to being regarded as a company that values the views of its stakeholders, respects the protection of their best interests, identifies and monitors their expectations, and offers creative services beyond expectations. In line with its pioneering position and leadership in the industry, DoğuŖ Otomotiv also plays an active role in the non-governmental institutions and industry-related trade organizations. DoğuŖ Otomotiv's corporate communications and relations are based on integrity, transparency and openness to inform. The Company's communication strategies and practices are managed and handled by the Strategic Marketing and Corporate Communications Department. All the information concerning the Company and its spokespersons that DoğuŖ Otomotiv shares with its stakeholders are prepared by the Strategic Marketing and Corporate Communications Department, using an accountable and transparent communication method based on the honesty principle.

### Stakeholder Engagement Strategy

The DoğuŖ Otomotiv Stakeholder Engagement Strategy, focused on continuous and reciprocal communication, was determined by the DoğuŖ Otomotiv Corporate Sustainability Working Group through a number of workshops held in 2009. Every dialogue platform with key stakeholders is evaluated according to the feedback received. DoğuŖ Otomotiv Stakeholder Engagement Strategy is based on raising awareness of social, environmental, economic and ethical responsibility areas, maintaining continuous and open communication, feedback and improvement performances in the medium and long term. Detailed information on DoğuŖ Otomotiv's stakeholder engagement process management is disclosed in the Sustainability section on the website and in the annual Corporate Sustainability Report: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-at-dogus-otomotiv/sustainability-reports>

### ENVIRONMENT SUSTAINABILITY

The automotive industry's ecosystem is undergoing a massive transformation due to the changing expectations of consumers, technological development at an overwhelming pace, globalization, new mergers & acquisitions, and partnerships. We are living in a new century when the way people approach mobility will also change rapidly. Multi-modal transportation systems are becoming more popular and smart vehicles that meet the environmental responsibility, safety and information needs of the consumers are in higher demand. Meanwhile, automotive companies are in intense competition to develop new business models that will help them in ensuring responsible growth. In this dynamic new age, DoğuŖ Otomotiv believes that the key to success for the next decade lies in customized mobility solutions, innovative sales techniques in retail industry, and inclusive partnerships and collaborations in line with global regulations and practices.

As a distributor within the automotive ecosystem, DoğuŖ Otomotiv increasingly builds on its environmental performance with the conviction that the companies that lead change are destined to become the companies of the future, and commits to:

- » Reinforcing customer confidence,
- » Making a difference within its sphere of influence through its network of Authorized Dealers and Aftersales Service Centers,
- » Raising awareness of waste management and efficiency, and
- » Using resources economically by regarding the ecological environment as a key stakeholder.

DoğuŖ Otomotiv is further committed to managing medium and long-term risks that may stem from climate change, and ensuring that the necessary improvements are made. DoğuŖ Otomotiv declares its Environmental Responsibility Policy, and performance in key areas annually in the Corporate Sustainability Report: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-at-dogus-otomotiv/sustainability-reports>

### TRANSPARENCY AND ACCOUNTABILITY

DoğuŖ Otomotiv has been openly reporting to the public on its social, economic, environmental and ethical performance in its fields of activity according to international standards since 2009. The Company evaluates stakeholder feedback on how these activities were performed every year, and duly sets targets for the coming year. Our explanations about the sanctions and penalties, if any, imposed on our Company due to incompliance with the regulations are also stated in the GRI Index presented in our Corporate Sustainability Report. DoğuŖ Otomotiv Corporate Sustainability Reports are available on our corporate website at: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-at-dogus-otomotiv/sustainability-reports>

### DOĞUŞ OTOMOTİV CODE OF ETHICS

DoğuŖ Otomotiv published its Code of Ethics in 2012, describing its way of conducting business with all its stakeholders and aiming to create a perception about the future of our country and the world, spread this perception and deepen where necessary, and act with the vision of setting an example for the whole community beyond the industries. With the DoğuŖ Otomotiv Code of Ethics, which became the first of its kind in Turkey not to be adopted from international sources but prepared according to global standards, our Company has pledged to uphold honest and ethical behavior in all its relationships with the employees, customers, business partners as well as competitors, and has documented this commitment. In this manner, the company has once again emphasized that one of its primary goals is to be an honest, trustworthy, and highly respected company, known for its unwavering commitment to ethical rules, while successfully continuing to operate under the current economic conditions and competitive environment, and remaining the leader of the industry. In 2016, we continued to share the DoğuŖ Otomotiv Code of Ethics with our suppliers, business partners, and all third parties. In 2016, necessary activities were carried out to complete the face-to-face Code of Ethics trainings for the employees of DoğuŖ Otomotiv, DoğuŖ Oto, and DoğuŖ Teknoloji. During the reporting period 188 employees of DoğuŖ Otomotiv received a total of 376 man/hours of one-on-one Code of Ethics training. Accordingly, 81% of DoğuŖ Otomotiv employees have received one-on-one Code of Ethics training by the end of 2016. Furthermore, 127 new hires that started within the same period were educated about Code of Ethics as part of the total 317.5 man/hours of e-orientation. The DoğuŖ Otomotiv Code of Ethics includes all the Company's commitments and policies on ethical matters, and is published openly on the corporate website at: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/governance-risk-management-ethics/ethics> [http://www.dogusotomotiv.com.tr/newdogusotomotiv\\_files/24022015\\_Dogus\\_Otomotiv\\_Code\\_of\\_Ethics.pdf](http://www.dogusotomotiv.com.tr/newdogusotomotiv_files/24022015_Dogus_Otomotiv_Code_of_Ethics.pdf)



## GENERAL INFORMATION

### OUR PRIMARY STAKEHOLDER: OUR EMPLOYEES

Doğuş Otomotiv believes that its greatest strength that would sustain the business and help the Company continue to provide strong, ethical and high-quality services in the future lies in its employees.

Doğuş Otomotiv is well aware that its employees, whom the company regards as its key stakeholder, can become indispensable contributions to both the society and the Company value by reinforcing the effective work processes with a sense of responsibility. With the policy published in the 2010 Corporate Sustainability Report, Doğuş Otomotiv has declared that its employees and the decent work environment provided for them are the pillars of its Corporate Sustainability approach.

The Company places employee satisfaction and loyalty at the top of its business goals, and believes that the main reason for the continuous increase in Corporate Sustainability performance is the employees' efforts and the level of awareness attained.

The changing nature of the business world, with expectations and conditions diversifying, requires that the companies should not only manage the employees, but also collaborate with them, establish dialogue, and question their expectations and require the participations of the employees in all processes by ensuring them to submit the business processes related suggestions and feedbacks directly to the management. This is how a far more efficient working environment can be created, a more innovative and competitive organization is built, and healthier relations are established with other stakeholders through the employees.

### Equal Rights

Doğuş Otomotiv states in its Code of Ethics under Article 3 on "Justice and Equality": "We treat all of our stakeholders and each other justly, and avoid discrimination". Doğuş Otomotiv applies the "Employees and Decent Work Environment Policy", which stipulates that employees are protected regardless faith, language, race, color, gender, age, ethnic origin, disability, citizenship, or other social status protected by legal regulations.

### Employee Benefits

The "Doğuş Otomotiv Basic Rights and Responsibilities Procedure" explicitly states that all Doğuş Otomotiv employees who all work fulltime have the same rights, and that each employee is a key stakeholder of the Company. Health and life insurance, meals and transportation services are social rights available to all the employees. Other benefits provided for Doğuş Otomotiv employees along with detailed information on the training opportunities are publicly announced each year in the Corporate Sustainability Report.

### Communication with Employees

Each Doğuş Otomotiv employee can communicate directly with his/her superior any time. The executives and senior management also exchange information about the Company's activities and operations at the quarterly Management Briefings, which took place twice in 2016. All Doğuş Otomotiv employees are welcome to attend the Communication Meetings that the Human Resources and Process Management Department organizes to provide detailed information on HR processes whenever policies change and also regularly at the end of the year. Furthermore, information about the Company is communicated to the employees via intranet and emails on a regular basis. The Doğuş Otomotiv Suggestion System, which allows employees to submit their suggestions and opinions about the Company directly to the management, saw significant increase of 44% in the number of suggestions that were implemented in 2016. Besides, every year many projects are generated by the employees within the organization to enhance business processes and to provide positive contribution to the Company's performance. As an example of this communication, Birthday of Ideas at Doğuş Graduation Ceremony where the best projects of our employees were awarded with the attendance of senior management second time. During the ceremony, employees had the chance to present their implemented projects to senior management. The dialogue platforms that Doğuş Otomotiv builds with its employees, the training programs, and all employee strategies and policies are addressed in detail in the annual Corporate Sustainability Report:

<http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-at-dogus-otomotiv/sustainability-reports>

## DOĞUŞ OTOMOTİV AND THE COMMUNITY

### "Traffic is Life!"

In line with its strategy of generating sustainable and innovative solutions, Doğuş Otomotiv regards it as a priority to launch corporate responsibility platforms, which will create social value and take product/service responsibility into account, as important as attaining successful financial and operational results. Driven by the experiences accumulated in its line of business, the company is committed to introducing and carrying out sustainable initiatives, which include "Traffic is Life!", a special project launched in 2004.

With the "Traffic is Life!" platform, our company pioneers innovations through various projects aimed at raising awareness of traffic safety by reaching out to every segment of the society. In addition to radio and television communications to reach the entire community, the "Traffic is Life!" Platform includes young people and children, who are the guarantee of the future, in the traffic safety topic, and also organizes competitions on traffic safety.

The 'Traffic is Life! Public Announcement Competition' was launched in 2016 to get young people involved in the road safety conversation, encourage them to generate solutions about road safety and to improve their creativity. The competition required participants to shoot a maximum 45-second video in short film format using their own scripts about one key message used in the communications of Traffic is Life: namely "Don't Speed", "Don't Drive and Talk", and "Fasten Your Seat Belt".

The competition, which saw great interest, received 422 videos in total, and the jury chose Korhan Topçu as the winner for his film about the trip of a family of 5.

The winner Korhan Topçu then shot the video again, this time with acclaimed director Ömer Faruk Sorak, and had the opportunity to be involved in the making of a professional film, get the opinions of experts, and see his video on television as a public announcement.

Traffic is Life! also launched the "Child Safety in Traffic" initiative taking into account that the second most affected group from traffic accidents is children, with the aim of reaching families through social-digital media and field activities. A study was conducted in Izmir, Istanbul, and Ankara in cooperation with the General Directorate of Security, and the results were shared in detail with the public revealing the 23% child seat usage ratio. The study results also showed that psychological factors reduced the use child seats, and led to acclaimed psychologist Professor Üstün Dökmen being involved in the project. Professor Serpil Acar of Loughborough University and Professor Memiş Acar joined the advisory team at "Traffic is Life!" with their content on mother-child safety in the traffic and the vehicle.

The platform, which continues to cooperate with public institutions, has reached an agreement to provide content for Kadıköy Municipality's pregnancy schools. Over the course of three days, more than 2,500 participants at events such as Mother - Baby- Child Fairs were provided with information, and the winner of the simulation contest held at the booth won a child seat.

"Long Distance Traffic Safety" training that "Traffic is Life!" has been providing continually since 2012 at universities has reached over 20,000 students in 18 universities. The platform, which reinforces theoretical trainings on traffic safety with practical applications, launched the 'Jingle Competition' in addition to the Public Spot Competition at the end of 2016.

With the 2017 Jingle Competition, the aim is to reach the people in traffic through radio with jingle suggestions from young people. Singer-songwriter Nil Karabrahimgil, who is also in the Jingle Competition jury, will record the jingle together with the winner, and convey the 'traffic safety' message across Turkey.

### Vocational High Schools and Doğuş Otomotiv Cooperation

Doğuş Otomotiv aims at contributing to education and employment through developing cooperation with vocational high schools, and our collaboration with these institutions continued in 2016, and the number of vocational schools that receive support rose to 7.

For the 2016-2017 academic year winter term, workshop internships were arranged at 21 Authorized Aftersales Services for a total of 146 students from 5 schools. And summer internships at 12 Authorized Aftersales Services were arranged for 50 students from two of these schools. In the 2016-2017 academic year, 176 students in total started their education in our classrooms in 7 schools. The students that graduated from our classrooms were employed by our Authorized Aftersales Services. Of the total 80 students that graduated in 2016, 27 started to work for our Authorized Aftersales Services. In 2016, the number of our graduates reached 434, while the number of current students was 365.

## GENERAL INFORMATION

### 4.14. Grant and Aid

While no changes were made to the Doğuş Otomotiv Grant and Aid Policy, which is available on the corporate website, at the General Assembly on 25 March 2016, it was resolved that a supplementary donation amount of TL 15,000,000 solely for 2016 be utilized for the construction of an elementary school, within the scope of the company's community engagement policies and the ongoing aid campaigns in the aftermath of the mining disaster in Soma, Manisa. The grants made in 2016 are listed below:

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş. AND SUBSIDIARIES	
Grant and Aids in 2016	Amount -TRY
SOMA PRIMARY SCHOOL PROJECT (AFAD)	13,812,943
KÜÇÜKYALI VOCATIONAL AND TECHNICAL ANATOLIAN HIGH SCHOOL DIRECTORATE	322,118
TURK PETROL FOUNDATION	65,000
SARIYER MUNICIPALITY SPORTS CLUB ASSOCIATION	30,000
ŞİŞLİ TECHNICAL AND INDUSTRIAL VOCATIONAL HIGH SCHOOL	25,348
TURKISH FOUNDATION FOR CHILDREN IN NEED OF PROTECTION	23,011
AYHAN ŞAHENK FOUNDATION	18,204
BURHANETTİN YILDIZ TECHNICAL AND INDUSTRIAL VOCATIONAL HIGH SCHOOL	15,415
BESNİ VOCATIONAL AND TECHNICAL ANATOLIAN HIGH SCHOOL	13,646
OTHER ASSOCIATIONS AND FOUNDATIONS	46,732
<b>TOTAL</b>	<b>14,372,417</b>

### 4.15. Group of Companies

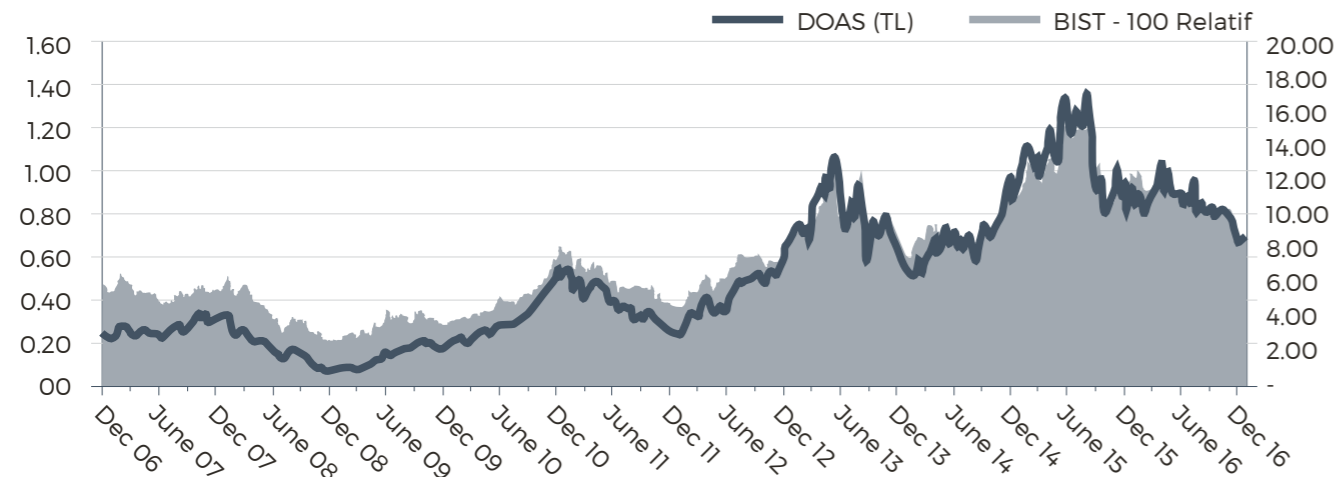
The Company, in its interactions with the parent company and its subsidiaries, did not engaged in any actions/ transactions unjustly serving to the advantage of these companies in 2016. Therefore, our Company does not have any assessments for the compensation made for disadvantages and for the measures taken regarding the transactions made with the parent company and its subsidiaries, as required by Article 199 of the Turkish Commercial Code.

## 5. FINANCIAL PERFORMANCE

### 5.1. Information on Doğuş Otomotiv Stock

Reuters ticker symbol: DOAS.IS  
Bloomberg ticker symbol: DOAS.TI

Doğuş Otomotiv's initial public offering took place on 17 June 2004 and the Company's shares are traded on Borsa Istanbul (BIST) with the "DOAS.IS" ticker.



\* As reported on 31 December 2016. (Resource: Reuters)

### 5.2. Operational and Financial Indicators

The equity of the Company is TL XXX, and the capital is secured and covered, without running into debt.

The Company presents a solid financial standing, and does not plan to take further actions to improve its financial structure.

The sales volume, revenue and net profit increased by XX%, XX% and XX%, respectively year on year. The Company also succeeded to reduce its Operating Costs/Turnover ratio by XX%, as an indication of the importance that the Company attaches to maintaining a lean management and dynamic structure.

The financial information below must be considered along with other financial information included in the Consolidated Financial Statements and Notes as part of the interpretation and analysis regarding the financial position and operations of the Company.

	2016	2015	2014
<b>Consolidated Statements of Income</b>			
Sales / Unit (Wholesale)	213,185	205,593	155,995
Sales (million TRY)	11,925	10,889	7,693
Gross Profit (million TRY)	1,153	1,109	873
Operating Expenses (million TRY)	727	662	537
EBIT (million TRY)	426	447	336
Income from Investment Activities (million TRY)	23	47	20
Income from Investments Accounted by Equity Method (million TRY)	99	43	83
Net Financial Expenses (million TRY)	273	171	123
Net Profit for the Period (million TRY)	238	302	253
<b>Consolidated Statements of Financial Position</b>			
Earnings Per Share	1.11	1.38	1.14
Price/Earnings Ratio (%)	7.91%	8.00%	10.45%
Gross Profit Margin (%)	9.7%	10.2%	11.3%
Operating Expenses/Sales (%)	6.1%	6.1%	7.0%
EBIT Margin (%)	3.6%	4.1%	4.4%
Net Profit Margin (%)	2.0%	2.8%	3.3%
Total Assets (million TRY)	4,852	3,980	2,827
Net Financial Debt* (million TRY)	2,669	1,869	1,035
Total Equity (million TRY)	1,119	1,363	1,236
CapEx** (million TRY)	208	169	115
ROA (%)	4.9%	7.6%	9.0%
ROE (%)	21.3%	22.2%	20.5%
Net Financial Debt/Equity	2.39	1.37	0.84

\* Short term loans, short-term portions of long-term loans, long-term loans, cash and equivalent have been taken into consideration.

\*\* Tangible asset entries have been taken into consideration.

## GENERAL INFORMATION

### EXPECTATIONS FOR 2017

**Total Automotive Market (Passenger Vehicles + Light Commercial Vehicles + Heavy Commercial Vehicles)**  
835,000 - 855,000 units

**Doğuş Otomotiv Sales Volume (including ŠKODA)**  
170,000 - 180,000 units

**Capital Expenditures**  
TL 325-340 million

Having completed 2016 as the leader of the automotive industry with 21.0% market share, our Company, in line with its long-term goals, aims to achieve the following in 2017:

- » Maintaining optimum profitability and market share around 20% levels for long-lasting success;
- » In light of all the reassessed projects and marketing plans, following a cautious expenditure management structure; and
- » Making necessary improvements and reinforcing operational efficiency by constant monitoring of key performance indicators.

The investment expenditure plans for 2017 consist of the below titles:

- » Expenditures for headquarters, logistics, spare parts, training areas, and subsidiaries
- » Machinery and equipment investments
- » Investments in information technologies
- » The ongoing Office Tower construction in Kartal
- » Investments in which we see great value creation potential (e.g. purchasing the property of the automotive showroom and aftersales service that we rented in Esenyurt/Istanbul)

Even though the company may make some scaled investments in retail projects in the short term, the aim will be mainly at carrying on with mobility, digitalization and service-focused activities. Furthermore, our Company will continue to maintain its competitive position in 2017 with new vehicle models of the international brands that we represent.

Risks pertaining to our 2017 expectations are as follows:

- » The impact of geopolitical risks on our country
- » The effects of foreign exchange fluctuations on the Company's operations
- » Probable impacts of the protective policies depending on the developments in global markets
- » Probable impacts of the constitutional amendments on markets in the short and medium term

The principles regarding the management of risks are explained in detail in the "6. Risks and Evaluation of the Board" section under the General Information heading of the Annual Report.

### 5.3 Dividend Distribution Proposal and Table

Doğuş Otomotiv Board of Directors' proposal of dividend distribution table for the 2016 operating term is presented in ANNEX 1.

## 6. RISKS AND EVALUATION OF THE BOARD

### 6.1 Risk Management Policy

Our Company's risk management policy was created within a framework configured by internal control and auditing activities where all the roles and responsibilities from the Board of Directors to the lowest level were determined, and the risk processes were planned and managed. Within the existing structure, the most fundamental issue we emphasized was for risk, as a common corporate culture, to be expressed as a shared language by all our stakeholders. It is essential that, in line with generally accepted references, the models and methods targeted to be made applicable at our Company have been designed for this purpose. Identifying the elements that might pose a threat for our organization, assets and stakeholders, taking measures, and improving the effectiveness of oversight will, as always, determine the direction of our efforts.

### 6.2 Early Risk Detection Committee Activities

The Early Risk Detection Committee conducts activities for effective risk management by detecting early on the potential causes that may endanger the existence, development and continuation of the Company, and taking the necessary precautions. Most of the time, the interpretation of future scenarios and uncertainties, as the main theme of these activities, do not remain solely as absolute barriers due to the Committee's strategic perspective and encouragement, and at our Company they are considered potential opportunities to lay the groundwork for systematic self-evaluation and new acquisitions. With a qualified team and accurate information flow, the Committee provides assurance and supports the oversight role of the Board of Directors, and reviews the risk management systems at least once a year. The Committee presented to the Board of Directors within the year the assessment reports drawn up following meeting on the dates set according to working principles, and also shared them with the auditor.

### 6.3 Risk Factors and Practices

The Company's risk perspective, shaped according to its field of operations, scale and business structure, continuously evolves and matures in line with international developments and examples of best practices. The fact that the risks involved in this process would not remain limited to financial, operational and natural phenomena and would eventually require management with a much wider perspective and sustainability approach is a key issue that determines our corporate risk management actions. The course of the processes used in risk management is directed towards a strategic and proactive business model through the efforts we created on a holistic template by including the interrelations of risks.

## FINANCIAL RISKS

### Liquidity Risk

The overall financial standing of our company has been monitored in an environment where financial sensitivities are carefully considered, and solutions generated to that end. Particularly, a reporting template based on the variations in commercial transactions is used to monitor risk management asset-liability cash flow.

The continuity of high quality lenders and relations, access to competitive rates, financial instrument and diversity of services (loans, factoring capacity etc.), and the liquidity strength were included among the issues that were carefully considered, as has been the case in previous years. As a result, the management of payables and receivables was secured through both amount and maturity-planned cash movement controls, ensuring that funding requirements for growth and investment policies were balanced.

### Exchange Rate Risk

The net FX position was monitored, again, on the basis of the company's commercial transactions, and communicated regularly to the risk-related governing body as well as the Early Risk Detection Committee through monthly risk management reports. The effects of devaluation, parity and inflation movements were analyzed, and necessary precautions were taken.



## GENERAL INFORMATION

As a business whose intensive import transactions are constantly exposed to foreign exchange risks, forward exchange contracts were executed and planned cash has been partially kept in foreign currency to maintain the payments in check. Some additional measures were taken; among them pricing options to minimize the negative effects of currency volatility and model-based agreements that were reached with the manufacturing company according to product portfolio and action plan.

### Interest Risk

The risk management of our Company is grouped into currencies, and strategic interest position is determined by also taking into account the effective maturities according to yield and costs of assets and liabilities.

For the circumstances where the loan amounts and interest rates are amended according to our scenario projections, measures are taken proactively according to the load that the cost increases would cause, and the suitable instrument/rate options are selected and implemented.

### Receivables Risk

With joint factoring projects and cooperation, the receivable/payable risks between Doğuş Otomotiv and the authorized dealers and services have been minimized.

### Product Cost/Price Risk

Import planning and resource management are considered as a whole with the quantities and amount of stock in the bonded warehouses, in transit, loading or at the ports while the brands are monitored daily for their foreign exchange positions. The direct impact of the sudden movements in foreign exchange rates on both cost composition and the capacity of generating income are analyzed according to various scenarios. In studies carried out on working capital, cash flows, loan limit/risk projections, and the financing of the working capital are planned accordingly to the lack of income in the scenario data. All of the summarized activities were included in the monthly risk management reports, and the relevant management levels were informed regularly during the year.

## OPERATIONAL RISKS

### Relations with Suppliers

Our Company takes precautionary measures against risks such as supply discontinuity or interruption, possible delivery and quality problems, and the supplier's financial and technical incompetency. Some of these ongoing practices include monitoring supplier performance, an evaluation system based on minimum offer and bidding procedures, binding agreements and where necessary legal approval, letter of guarantee, and other similar instruments to ensure the provision of the service. The precautions taken for and the supervision of issues regarding Supply Chain Management and managing the suppliers' social, environmental and economic risks are explained in detail within the scope of the Sustainability Report (<http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-at-dogus-otomotiv/sustainability-reports> ).

### Occupational Health and Safety (OHS)

Certain OHS boards and an organizational structure have been formed to carry out/manage the OHS processes in the Company. Within the scope of OHS, risk analyses of our facilities and work environments, accident studies, civil defense trainings and drills are carried out. Furthermore, current detections and legal responsibilities are regularly reviewed at and followed by OHS board meetings every month. Trainings aimed at raising the personnel's awareness are offered throughout the year with tests conducted under the supervision of experts to measure the knowledge levels. Detailed information on Doğuş Otomotiv and Doğuş Oto' OHS activities is available in the Sustainability section on the corporate website (<http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/employees/occupational-health-and-safety/dogus-otomotivs-ohs-work> ).

### Business Continuity and Crisis Management

An action plan aimed at further improving the existing Business Continuity Plan was carried out by a working group composed of representatives from relevant departments, with the pilot phase currently running. The activity, which adopted key concepts that better aligned with the literature, is based on the principle of raising awareness, and was conducted in direct contact with task owners for applicability in real life, used as reference the relevant ISO standards and the action plan released by the Institute of Internal Auditors. As an important detail of this work, business continuity and disaster recovery are addressed as two different but complementary vital factors within the integrated structure.

The emergency action plans and crisis management scenarios developed to recover the processes that may potentially be interrupted as a result of destructive risks despite the Company's proactive efforts are also taken into account. Generally accepted tools and consulting services were utilized in these plans and scenarios that aim to prevent loss of life, goods and information, meet the expectations of right holders, take the correct legal steps, and protect the organization's reputation.

### Information Technologies

An integrated information system (Turkuaz) is used to carry out the operations at our company. The processes that require intensive transactions, such as procurement, inventory management, sales and accounting, are generally performed through the applications provided on this system. The efforts related to resource planning, to the use of defined authorizations and access rights, to the training and certifications towards the use of professional equipment, to the follow-up on reference models and to taking action in accordance with auditing results are being conducted as a measure against potential risks. Furthermore, as part of the consultancy services led by Deloitte, and in partnership with Doğuş Teknoloji, we have consolidated all data pertaining to critical business processes, and completed the strategic work to achieve information security.

### Decision Making Processes and Practices

As a precaution against the violation of Company policies, and as part of our governance principles, the Code of Ethics, created in global standards and approved by the Company's governing body, stated a way of doing business even beyond the regulations and directives at every stage of company operations. The code was adopted in a simple blueprint and with exemplified narrative content, and was carefully prepared as a guide for all stakeholders. With regular internal trainings as well as reminders/notifications, awareness is maintained, and care is taken to make Code of Ethics easily accessible on various platforms.

## 7. MISCELLANEOUS

After the operation term ended, there has not been any specific or significant incident that may affect the rights of the partners, creditors and other relevant persons or institutions.

This report has been prepared in compliance with the provisions of the Turkish Commercial Code, the Capital Markets Law and relevant regulations, and has been signed and approved by the members of the Board of Directors pursuant to the Board resolution no. 2017/14 dated 28 February 2016.

The Statement of Responsibility by the Board members responsible for financial reporting and the executive responsible for financial reporting for the 2015 operating term is presented in ANNEX 2.

Further to the Board of Directors resolution no. 2017/14 dated 28 February 2016, it has been agreed to approve the Company's Consolidated Financial Statements and its Notes for the fiscal year that ended on 31 December 2016 and prepared in compliance with Capital Markets Board standards, and to disclose the Independent Audit Report prepared and submitted by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi with the Financial Statements and Notes on the Public Disclosure Platform (PDP).

## APPENDIX 1. DIVIDEND DISTRIBUTION PROPOSAL AND TABLE

In the Board of Directors meeting no. 2017/15 on 28 February 2017, it has been resolved to propose to the General Assembly that the net period profit obtained from the Company's 2016 activities according to the consolidated financial statements, which are issued in compliance with Capital Markets Board regulations and independently audited, not be distributed and retained by the company given the possibility for uncertainties that might affect our operations in the automotive industry to occur and in line with our Company's growth policies.

### DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

#### DIVIDEND DISTRIBUTION TABLE FOR THE YEAR 2016 (TL)

	According to the CMB	According to legal records
1- Paid -in /Issued Capital		220.000.000,00
2- Legal Reserves ( According to Legal Records)		161.522.458,00
Information on the profit distribution privilege, if any, as required by the articles of association		-
3- Profit for the period	275.132.000,00	182.803.774,18
4- Taxes(-)	(37.189.000,00)	(38.971.937,93)
<b>5- Net profit for the period (*)</b>	<b>237.688.000,00</b>	<b>143.831.836,25</b>
6- Accumulated losses (-)	(60.557.000,00)	(74.447.239,77)
7- Legal Reserves(-)	-	-
<b>8- NET DISTRIBUTABLE PROFIT FOR THE PERIOD</b>	<b>177.131.000,00</b>	<b>69.384.596,48</b>
9- Donations made through the year (+)	14.372.417,00	-
<b>10- Distributable Net Income for the Period including Donations</b>	<b>191.503.417,00</b>	-
11- First Dividend to the Shareholders	-	-
- Cash	-	-
-Non-paid	-	-
-Total	-	-
12- Dividend Distributed to Privileged Shareholders	-	-
13- Dividend Distributed to	-	-
- Board members	-	-
-Employees	-	-
-Other than shareholders	-	-
14- Dividend Distributed to Redeemed Shareholders	-	-
15- Second Dividend to Shareholders	-	-
16- Legal Reserves	-	-
17- Statutory Reserves	-	-
18- Special Reserves	-	-
<b>19- EXTRAORDINARY RESERVES</b>	<b>177.131.000,00</b>	<b>69.384.596,48</b>
20- Other Reserves Distributable	-	-
-Retained Earnings	-	-
-Extraordinary Reserves	-	-

#### DIVIDEND RATIO TABLE

DIVIDEND INFORMATION (**)	TOTAL DIVIDEND PAYOUT AMOUNT		TOTAL DIVIDEND DISTRIBUTED / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE OF 1 TL NOMINAL VALUE	
	CASH (TL)	FREE OF CHARGE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
-GROSS	-	-	0,0	-	0,000
-NET	-	-	0,0	-	0,000

(\*\*) Net profit for the period for the Parent, except Non- controlling interest.

## APPENDIX 2. STATEMENT OF RESPONSIBILITY ON FINANCIAL REPORTS



#### RESOLUTION OF THE BOARD OF DIRECTORS CONCERNING THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORTS

RESOLUTION DATE: 28 FEBRUARY 2017  
RESOLUTION NUMBER: 2017/14

#### STATEMENT OF RESPONSIBILITY PURSUANT TO ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUE ON THE "PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS"

We have examined the Consolidated Financial Statements and the Annual Report of the Board of Directors prepared for the fiscal year on 31 December 2016 pursuant to the Capital Markets Board Communiqué on the "Principles of Financial Reporting in Capital Markets, and we hereby state, to the best of our knowledge with respect to our duties and areas of responsibility in the Company, that;

a) The consolidated financial statements and notes contain no misrepresentation of the facts on any major issues or any omissions that may be construed as misleading as of the date of the related disclosure;

b) The financial statements, including those subject to consolidation, prepared in accordance with Turkish Accounting Standards, accurately reflect the fact about the Group's assets, liabilities, financial position, profit and loss and other comprehensive income.

Respectfully yours,

Doğuş Otomotiv Servis ve Ticaret A.Ş.

Kerem TALİH  
CFO/ General Manager Responsible  
for Financial Affairs

Recep Yılmaz Argüden  
Board Member and  
Member of Audit Committee

Emir Ali BİLALOĞLU  
Chief Executive Officer and  
Board Member

Ferruh EKER  
Board Member and  
Head of Audit Committee

#### Doğuş Otomotiv Servis ve Ticaret A.Ş.

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Mersis No: 0-3090-1147-1300010

## APPENDIX 3. INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT



Akis Bağımsız Denetim ve  
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### CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi,

**Report On The Audit Of Board Of Directors' Annual Report Based On The  
Standards On Auditing Which Is A Component Of The Turkish Auditing Standards  
Published By The Public Oversight Accounting And Auditing Standards Authority  
("POA")**

We have audited the accompanying annual report of Doğuş Otomotiv Servis ve  
Ticaret Anonim Şirketi ("the Company") and its subsidiaries (collectively referred  
to as "the Group"), for the year ended 31 December 2016.

#### *Board of Directors' Responsibility for the Annual Report*

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102  
("TCC") and Communiqué on the Principles of Financial Reporting In Capital  
Markets numbered II – 14.1 ("the Communiqué"), management is responsible  
for the preparation of the annual report fairly and consistent with the consolidated  
financial statements and for such internal control as management determines is  
necessary to enable the preparation of such annual report.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the Group's annual report based on  
our audit in accordance with article 397 of the TCC and the Communiqué whether  
the financial information included in the accompanying annual report is consistent  
with the audited consolidated financial statements expressed in the auditor's  
report of the Group dated 28 February 2017 and provides fair presentation.



Our audit has been conducted in accordance with the Standards on Auditing which is a  
component of the Turkish Auditing Standards ("TAS") published by the POA. Those  
standards require that we comply with ethical requirements and plan and perform the audit  
to obtain reasonable assurance about whether the financial information included in the  
annual report is consistent with the consolidated financial statements and provide fair  
presentation. An audit includes performing audit procedures in order to obtain audit  
evidence about the historical financial information. The procedures selected depend on  
the auditor's judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to  
provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial information included in the annual report is consistent, in all  
material respects, with the audited consolidated financial statements and provides a fair  
presentation.

#### **Report on Other Regulatory Requirements**

In accordance with the third clause of the article 402 of TCC, no material issue has come  
to our attention that shall be reported about the Group's ability to continue as a going  
concern in accordance with TAS 570 "Going Concern".

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative



Merat Alsan, SMMM  
Partner  
28 February 2017  
İstanbul, TÜRKİYE