

## PART 4

# Corporate Governance Principles Compliance Report

### Corporate Management Principles Compliance Statement

Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. (Company) shows utmost care to comply with the “Capital Markets Board Corporate Governance Principles” Communiqué No. II-17.1, published by the Capital Markets Board, and operates in accordance with legal regulations and corporate governance principles.

It is fully compliant with the principles set forth by the Corporate Governance Communiqué No. II17.1 and with the majority of the non-mandatory principles. Though it aims to fully comply with the non-mandatory Corporate Governance Principles, it has not yet achieved this goal due to the difficulties experienced in practice of some of the principles and to the lack of compatibility between some of the principles and the market’s and the company’s current structure. We are currently working on the principles that have not yet been put into action and will be implementing them upon completion of the administrative, legal and technical infrastructure to help in effective management of the Company.

The following titles explain why some of the items could not be put in practice. We feel there to be no conflict of interest created by these items at present.

Three weeks before the General Assembly, we submitted for the information of the stakeholders the General Assembly Information document, which was created at the 2016 Ordinary General Assembly, with all the information required to be disclosed in the principles. Following review of the corporate website and the annual report, we performed the necessary revisions for full compliance with the principles.

Our Company is driven to remain compliant with the principles by observing any future legislative changes and practices. The principles unable to be adapted to are listed below with a rationale.

You can find the following information on our Company's page at the Public Disclosure Platform, under the Corporate Governance Compliance section.

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	Such a situation has not occurred.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				At their request, Stakeholders may attend meetings as observers as long as they provide the Company with sufficient notice.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.4. VOTING RIGHTS</b>						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Our Company does not have any cross-shareholding relations with any other company.
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Our Articles of Association does not contain a definition of minority shares other than the one stated in the Capital Market legislation. With regard to minority rights, we comply with the provisions of Turkish Commercial Code (TCC) and Capital Markets Board (CMB).
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				The majority of the Turkish content is provided in English.
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.		X				We do not employ a special policy for stakeholders. Their rights are protected under the general regulations, agreements and good will.
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			There is no provision about this matter in the Articles of Association; employees are encouraged to participate in the company management via internal programs.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.		X				We collect the requests, ideas and complaints of our stakeholders regarding the major decisions that will affect their interests. We also conduct and assess surveys.
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				We have adopted an employment policy promoting equal opportunities; however, there is no succession planning for the key management roles.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion	X					

of the related trade unions was also taken.						
	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.			X			We are currently working on establishing and implementing a Code of Ethics that will include such procedures. The details in this provision will be covered in the Rules of Ethical Conduct.
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.		X				We are currently working on establishing and implementing a Code of Ethics. We will announce the Code to the public on our website once we complete it.
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.			X			The Chairman of the Board of Directors also assumes the responsibilities of the Chairman of the Executive Board (CEO). Conversely, two separate general managers govern the operations of the two main brands.
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				Board members are covered by executive liability insurance for any damages caused during their service, not exceeding 25 percent of the capital.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			There is no policy calling for a minimum of 25 percent female representation on the Board.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				No notice period relating to this matter has been defined. However, we take the utmost care to share the necessary information with our members within a reasonable time prior to the meeting.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			No limitation has been put on the board members to take on duties outside the Company. The CVs and past duties of the board members are provided in the annual report.



	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>4 4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			Due to their numbers, each independent board member takes part in more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.			X			The committees did not purchase consulting services in 2018.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Performance reviews for the Board of Directors have not been conducted.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			The remunerations and all benefits provided to the senior executives are disclosed to the public as a sum on the annual report. However, the disclosure is not made per individuals.

<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	42 piece
<b>1.2. Right to Obtain and Examine Information</b>	
The number of special audit request(s)	A special auditor was not requested.
The number of special audit requests that were accepted at the General Shareholders' Meeting	A special auditor was not requested at the General Assembly.
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/tr/Bildirim/673321">https://www.kap.org.tr/tr/Bildirim/673321</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is not offered simultaneously. "Doğtaş Kelebek" will be later added to the corresponding date in the explanations section for the special circumstances on the English website.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	No such transaction exists throughout the year.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	No such transaction exists under Article 9.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	We have no transactions under the corresponding article.
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Comperate Governance /Donation and Grants Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	-
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	-
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	The General Assembly was conducted publicly with the stakeholders and media attending as observers.
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	7,68%
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Comperate Governance/Dividend Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	<a href="https://www.kap.org.tr/tr/Bildirim/674326">https://www.kap.org.tr/tr/Bildirim/674326</a>
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	<a href="https://www.kap.org.tr/tr/Bildirim/681565">https://www.kap.org.tr/tr/Bildirim/681565</a>

<b>General Meeting Date</b>		07.05.2018
<b>General Assembly Meetings</b>	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
	Shareholder participation rate to the General Shareholders' Meeting	65%
	Percentage of shares directly present at the GSM	15,35%
	Percentage of shares represented by proxy	49%
	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Investor Relations /General Assembly-Meetings/General Assembly Meetings
	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Investor Relations /General Assembly-Meetings/General Assembly Meetings
	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions The number of declarations by insiders received by the board of	-
	The number of declarations by insiders received by the board of directors	16
	The link to the related PDP general shareholder meeting notification	<a href="https://www.kap.org.tr/Bildirim/681565">https://www.kap.org.tr/Bildirim/681565</a>

<b>2.1. Corporate Website</b>	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations / Financial and Operational Data, Investor Relations/ Announcements
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	About us / Shareholding Structure And Subsidiaries
List of languages for which the website is available	Turkish, English
<b>2.2. Annual Report</b>	
<b>The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.</b>	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Corporate Governance Principles Compliance Report – Part IV – BOARD OF DIRECTORS / 4.1 Structure and Formation of the Board of Directors
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	4.3 Structure and Independence of Committees Established by the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	4.2 Operating Principles of the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Corporate Governance Principles Compliance Report – Other Explanations Part
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Corporate Governance Principles Compliance Report – Part III – STAKEHOLDERS

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	-
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	-
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Corporate Governance Principles Compliance Report – Part III – STAKEHOLDERS
<b>3.1. Corporation’s Policy on Stakeholders</b>	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	No compensation policy exists.
The number of definitive convictions the company was subject to in relation to breach of employee rights	2
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit Director and Human Resources (HR) Director
The contact detail of the company alert mechanism	etik@dogtaskelebek.com
<b>3.2. Supporting the Participation of the Stakeholders in the Corporation’s Management</b>	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are actually represented	Labor Union
<b>3.3. Human Resources Policy</b>	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	No plan relating to this matter exists.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Doğtaş Kelebek Mainpage / Human Resources / HR Practices
Whether the company provides an employee stock ownership programme	No stock option plan exists.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Annual Report / Corporate Governance Principles Compliance Report – Part III – STAKEHOLDERS / 3.3 Human Resources Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	-
<b>3.5. Ethical Rules and Social Responsibility</b>	
The name of the section on the corporate website that demonstrates the code of ethics	-
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Doğtaş Kelebek Mainpage - Social Responsibility
Any measures combating any kind of corruption including embezzlement and bribery	Work on Ethical Rules Policy is underway. The measures against all kinds of corruption, including extortion and bribery, will be included in this policy.

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Davut Doğan -Chairman, Board of Directors Şadan Doğan- Vice Chairman, Board of Directors
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	123
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Investor Relations / Financial and Operational Data / Financial Information / Risk Management and Internal Audit Mechanism
Name of the Chairman	Davut Doğan -Chairman, Board of Directors
Name of the CEO	Davut Doğan – CEO
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	<a href="https://www.kap.org.tr/tr/Bildirim/709899">https://www.kap.org.tr/tr/Bildirim/709899</a>
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	The corresponding information is under Part IV Board of Directors – 4.1 Structure and Formation of the Board of Directors, and Independent Members, in the Corporate Governance Principles Compliance Report of the annual report.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	0, %0

## Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
DAVUT DOĞAN	Executive	Not independent director	28/09/ 2012	-	Not considered	No	Yes
ŞADAN DOĞAN	Non-executive	Not independent director	09/05/ 2017	-	Not considered	No	Yes
MERT GÜVENEN	Non-executive	Not independent director	28/07/ 2017	-	Not considered	No	Yes
HÜSEYİN DOĞAN TÜRKMEN	Non-executive	Not independent	28/09/ 2012	-	Not considered	No	Yes
BEKİR ÖZKAN HAKAN YAVAŞAL	Non-executive	Independent director	07/05/ 2018	-	Considered	No	Yes
HAYRETTİN KAPLAN	Non-executive	Independent director	07/05/ 2018	-	Considered	No	Yes

<b>4. BOARD OF DIRECTORS-II</b>	
<b>4.4. Meeting Procedures of the Board of Directors</b>	
Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	95%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	No specific period has been defined. We exercise the utmost care to share the relevant information and documents with our members within a reasonable time prior to the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	The related matters are included in the section of Board Meetings under Article 15 of the Articles of Association.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-
<b>4.5. Board Committees</b>	
Page numbers or section names of the annual report where information about the board committees are presented	Investor Relations / Financial and Operational Data / Annual Reports / Corporate Governance Principles Compliance Report /Part IV / 4.3 Structure and Independence of Committees Established by the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	The committee working principles are available on our corporate website. (Investor Relations / Financial and Operational Data / Annual Reports / Corporate Governance Principles Compliance Report / Part IV / 4.3 Structure and Independence of Committees Established by the Board of Directors)

<b>Composition of Board Committees-I</b>			
Names Of The Board Committees	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	Hayrettin Kaplan	Yes	Board member
	Bekir Özkan Hakan Yavaşal	No	Board member
Corporate Governance Committee	Hayrettin Kaplan	Yes	Board member
	Şadan Doğan	No	Board member
	Feyruze Aslı Kondu	No	Not board member
Committee of Early Detection of Risk	Hayrettin Kaplan	Yes	Board member
Committee of Early Detection of Risk	Aysun Vardan	No	Not board member

**4. BOARD OF DIRECTORS-III**

<b>4.5. Board Committees-II</b>	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations /Financial and Operational Data / Annual Reports / Corporate Governance Principles Compliance Report / Part IV / 4.3 Structure and Independence of Committees Established by the Board of Directors
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations /Financial and Operational Data / Annual Reports / Corporate Governance Principles Compliance Report / Part IV / 4.3 Structure and Independence of Committees Established by the Board of Directors
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations /Financial and Operational Data / Annual Reports / Corporate Governance Principles Compliance Report / Part IV / 4.3 Structure and Independence of Committees Established by the Board of Directors
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations /Financial and Operational Data / Annual Reports / Corporate Governance Principles Compliance Report / Part IV / 4.3 Structure and Independence of Committees Established by the Board of Directors
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations /Financial and Operational Data / Annual Reports / Corporate Governance Principles Compliance Report / Part IV / 4.3 Structure and Independence of Committees Established by the Board of Directors
<b>4.6. Financial Rights</b>	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	-
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations/Policies/Compensation Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Investor Relations / Annual Reports / Footnotes relating to the Consolidated Financial Statements / Footnote 24 Related Parties' Disclosures / The payments to the board members and senior executives.

**Composition of Board Committees-II**

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	100%	100%	5	5
Committee of Early Detection of Risk	100%	33%	4	1
Corporate Governance Committee	100%	50%	6	6

## Committee Working Principles

Corporate Governance Principle no. 4.5.1, foresees that the Board of Directors, in order to be able to soundly fulfill its duties and responsibilities should establish the Audit Committee, the Corporate Governance Committee, the Nomination Committee, the Early Detection of Risk Committee and the Remuneration Committee; however due to the structure of the Board of Directors, if a separate Nomination Committee, Early Detection of Risk Committee and a Remuneration Committee can not be formed then the Corporate Governance Committee may fulfill the duties of these committees. In this context, the Audit Committee, Corporate Governance Committee and the Early Detection of Risk Committees were set up in our Company. The duties of the committees that are not yet established by the Board of Directors are fulfilled by the Corporate Governance Committee in accordance with the Corporate Governance Principles.

According to the Corporate Governance Principle no. 4.5.3, all members of the Audit Committee and the chairmen of all other committees should be elected from among the independent members of the In this context, elections of the chairman and members in the committees formed by the decision of the Board of Directors dated May 7, 2018, were made in accordance with the Corporate Governance Principles. Again, in accordance with these principles, the General Manager of the Company does not take part in the committees. The same independent member serves on each of the three committees since there are only two non-executive independent members on the Board of Directors of the Company in accordance with the Corporate Governance Principles with respect to criteria for Board members serving on committees.

Audit Committee: Non-executive Independent Board Member Hayrettin Kaplan was elected committee chairman and Non-executive Independent Board Member Bekir Özkan Hakan Yavaşal, a committee member.

For the Corporate Governance Committee: Hayrettin Kaplan, a nonexecutive independent board member and Feyruze Aslı Kondu, Investor Relations Unit Manager were elected.

To the Early Detection of Risk Committee: Hayrettin Kaplan, Independent Non-executive Board Member, and Aysun Vardan, Regulatory Compliance Manager.

The Audit Committee shall audit the annual and interim financial statements and footnotes to be disclosed to the public with regard to their compliance with the current legislation and international accounting standards. They shall submit a report to the Board of Directors in writing together with their own evaluations the opinions of the Company's responsible managers and independent auditors regarding their compliance with the accounting principles adopted by the company and their truthfulness.

The committee reviews the annual report to be disclosed to the public and observes whether the information contained here is accurate and consistent with the information it has. In general terms, the committee supervises the accounting system, the independent audit and the public disclosure of the financial information and the operation and effectiveness of the internal control system.

The Corporate Governance Committee is responsible for presenting proposals for corporate governance policies, to enhance the quality of corporate governance practices, to inform the Board of Directors on the effective follow-up of the Capital Markets Board corporate governance principles legislation and generally accepted corporate governance principles in the international capital markets and to implement any that are applicable; to identify, evaluate and train appropriate candidates for the Company's Board of Directors and



to undertake work on the determination of the remuneration principles of the members of the Board of Directors and senior managers of the Company and submit proposals to the Board of Directors; to detect those risks that may jeopardize the company's existence, development and continuity on an early basis, to implement measures related to the identified risks and carry out studies related to risk management and in general fulfill its objectives.

The Early Detection of Risk Committee is responsible for evaluating the probability of occurrence of all risks that may endanger the existence, development, or continuity of the Company, for assessing and defining their effects, for establishing the risk measurement models and risk management systems, reviewing their effectiveness at least once every year, informing the Board of Directors with respect to the measurement of risks, their monitoring and the application of risk elements in decision-making processes and make necessary cautionary reports, advising the Board of Directors on risk management practices and on ways to improve the risk management models. The committee conducts necessary studies on the adoption and implementation of risk management policies and practices by all Company units and employees. The committee audits the company's risk management systems at least once every year and submits a report to the Board of Directors. Six meetings were held during the period by the Early Detection of Risk Committee.

### **Investor Relations Department**

The Company complies with the legislation, the Articles of Association and other internal regulations with regard to the use of the shareholders' rights, and it takes all the necessary measures for these rights to be used.

The "Investor Relations Department" was created to oversee all interactions between the shareholders and the Company and ensure full implementation of the shareholders' right to information in accordance with the CML and CMB regulations and resolutions. The Department conducts its operations pursuant to the CML, CMB regulations and resolutions and the Articles of Association.

Investor Relations Department operates under the Chairman of the Board of Directors/CEO. Investor Relations Officer Feyruze Aslı Kondu reports to the Chairman of the Board of Directors and CEO, Legislative Compliance Officer Aysun Vardan reports to the Financial Affairs Director. Feyruze Aslı Kondu and Aysun Vardan also serve as members of the Corporate Governance Committee and Early Detection of Risk Committee, respectively.

### **Investor Relations General Communication**

Tel : 0 216 425 00 02

e-mail: [ir@dogtaskelebek.com](mailto:ir@dogtaskelebek.com)

### **Feyruze Aslı KONDU - Investor Relations Officer**

Tel : 0 216 425 12 24

e-mail: [ir@dogtaskelebek.com](mailto:ir@dogtaskelebek.com)

License Documents: Capital Market Operations Level 3

**Aysun VARDAN – Legislative Compliance Officer**

Tel : 0 216 425 12 24

e-mail: [ir@dogtaskelebek.com](mailto:ir@dogtaskelebek.com)

License Documents: Capital Market Operations Level 3

As part of the Company’s disclosure Policy, we provide information on the Company’s operating results, performance and other developments during the fiscal year through meetings held with the shareholders, investors, research specialists of intermediary institutions, and other stakeholders, and offer shareholders comprehensive and current information and disclosures that may affect the use of shareholder rights through our corporate website.

All of our share certificates have been dematerialized at the Central Dematerialized System (CDS). We take utmost care to comply with the legislation and the Articles of Association in responding to shareholders’ requests. In 2018, there were no written or verbal complaints received by our Company regarding the use of shareholder rights, nor there were any administrative or legal actions taken against our Company to the best of our knowledge.

In 2018, information requests from the investors and shareholders were answered in accordance with the Capital Markets Legislation and CMB regulations and resolutions. Relevant information and documents, except those considered to be confidential and commercial secret, were delivered to the investors and shareholders according to the principle of equality.

**Shareholders’ Use of the Right to Information**

In order to expand the shareholders’ right to information and allow them to use these rights properly, we constantly update the financial statements, as well as the necessary information and documents, and make them available for the shareholders on the investor relations section of our corporate website on [www.dogtaskelebek.com](http://www.dogtaskelebek.com).

Material event disclosures, financial statements and other Company information, which we are required to submit to Borsa Istanbul as per the Public Disclosure Platform (PDP), are sent with electronic signatures.

We became a member of the Merkezi Kayıt Kuruluşu Anonim Şirketi, established to keep book-entry records of capital market instruments, to dematerialize our Company shares that are traded at the Borsa Istanbul. Following dematerialization of our shares, we gave authorization to Deniz Yatırım Menkul Kıymetler A.Ş. to perform all transactions related to our shareholders’ such as dividend distribution, capital increase and so on. Deniz Yatırım Menkul Kıymetler A.Ş. Telephone: 0212 348 9191

We take utmost care to comply with the legislation in responding to investors’ requests. Last year, there were no complaints received by our Company regarding the shareholders’ use of right to information, nor

there were any administrative or legal actions taken against our Company to the best of our knowledge. No appeals or queries were received in this regard during the period. Articles of Association of Doğtaş Kelebek Mobilya Sanayi ve Tic. A.Ş. does not set forth the appointment of a special auditor as an individual right. A special auditor was not requested in the period.

### **General Assembly Meetings**

The Company's general assembly meetings are held according to all of the principles under the "General Assembly" title of the "Corporate Governance Principles."

The Company prepares an "Information Document" on the agenda items and discloses it to the public prior to the General Assembly. Pursuant to the Articles of Association, the legislation and the procedures, we announce the General Assembly at least three weeks in advance on the [www.dogtaskelebek.com](http://www.dogtaskelebek.com) corporate website to reach as many shareholders as possible. Announcements and disclosures are made in accordance with the Turkish Commercial Code (TCC), CML, CMB regulations and resolutions, and the Articles of Association.

The "Information Document" that includes the annual report, financial report, financial statements, dividend distribution proposal, and General Assembly agenda items; other documents that are the basis for the agenda items; and if the Articles of Association is to be amended, the amendment content and reason, are provided with easy access for review by the shareholders at the Company headquarters and electronically from the date of the General Assembly meeting invitation. The Company's corporate website presents the legislative announcements and disclosures, as well as the General Assembly announcement, CML and CMB regulations, and the announcements and disclosures required to be made as per other legislative provisions. In advance of the General Assembly Meeting, we provide sample proxy statements on the corporate website for the shareholders who will be represented by proxy. The corporate website also explains the voting procedure ahead of the meeting.

In addition to the General Assembly Meeting announcement, the website features legislative announcements and disclosures, and other matters that the Corporate Governance Principles require to be disclosed to the shareholders in accordance with the principles.

As such,

- We published on the corporate website the total number of shares, which shows the Company's share structure, and information on the right to vote, on the General Assembly Meeting announcement date.
- We prepared the General Assembly agenda by putting each proposal under a separate title and describing the agenda item headings clearly to prevent misinterpretations. We ensured that the agenda items did not have wording such as "other" or "various." The information provided prior to the General Assembly Meeting is posted based on the agenda items.
- During preparation of the Ordinary General Assembly agenda, there were no matters that the shareholders requested from the Company's Investor Relations Department to add to the agenda items. Similarly, the shareholders, the CMB and/ or other organizations and institutions related to the Company did not request any items to be included on the agenda.
- The meeting method of the General Assembly aims to achieve maximum participation from the shareholders. We hold general assembly meetings in a way to prevent any inequality between the

shareholders. The general assembly meetings are held at the Company headquarters. On May 7, 2018, an Ordinary General Assembly meeting was held in Istanbul, where the Company headquarters is located, according to the Company's Articles of Association. The Articles of Association of the Company allow the meetings to be held at other locations of the city where its headquarters is located.

- The meeting chair made the necessary arrangements and obtained the essential information prior to running the General Assembly pursuant to the TCC, the Law and the relevant legislation.
- The meeting chair endeavored to ensure agenda items were handled in a clear and understandable way during the Ordinary General Assembly. Shareholders were given equal opportunity to express their views and ask questions. The meeting chair ensured that the shareholders' questions, except those that fell into the category of trade secret, were answered directly at the General Assembly.
- Executive board members, at least one other board member and representative of the independent audit company participate at the general assembly meetings. Also, those with responsibilities for the agenda items and those who need to make statements are required to be present. If those other than the ones required to be present by the law cannot attend the meeting, the chair submits to the General Assembly their reason for not being present. The CMB resolution No. 4/89 dated February 1, 2013, applies in this regard. The shareholders, some board members, the Independent Auditor and company employees participated at the Ordinary General Assembly with regard to the 2017 fiscal year.

The 2017 Ordinary General Assembly Meeting was held on May 7, 2018, at 10:30 a.m. at İdealtepe Mahallesi, Rifkî Tongsir Caddesi, No: 107 Maltepe, İstanbul. At the General Assembly Meeting, 13,487,075,000 shares out of the 20,906,976,700 shares, which account for the Company capital, were represented. Agenda item questions by shareholders that took part at the meeting personally or by proxy were answered during the meeting. Meeting minutes and list of attendants were disclosed to the public through the PDP on the same day. Meeting minutes and list of attendants are available for the shareholders at the corporate website.

Şirket Esas Sözleşmesi'nin 38. maddesine göre; Yapılacak bağışların üst sınırının Genel Kurul tarafından belirlenir, bu sınırı aşan tutarda bağış yapılamaz ve yapılan bağışlar dağıtılabılır kar matrahına eklenir. Şirket tarafından yapılan bağışların Sermaye Piyasası Kanunu'nun örtülü kazanç aktarımı düzenlemelerine, Türk Ticaret Kanunu'na ve ilgili diğer mevzuata aykırılık teşkil etmemesi, gerekli özel durum açıklamalarının yapılması ve yıl içinde yapılan bağışların Genel Kurulda ortakların bilgisine sunulması zorunludur. 7 Mayıs 2018 tarihinde yapılan Genel Kurul Toplantısı'nda şirket tarafından 2017 yılı içerisinde 22.246 TL bağış yapıldığı bilgisi verilmiştir.

Pursuant to article 38 of the Articles of Association, the General Assembly shall determine the upper limit of donations. Any donation exceeding such limit shall not be allowed and the donations made will be added to the distributable profit base. The donations made by the Company shall not conflict with the hidden profit transfer regulations of the CMB, the TCC and other relevant legislation. Necessary material event disclosures shall be made, and at the General Assembly the shareholders shall be informed about any donations made.

Meeting minutes of the General Assembly, including for past years, are available on the corporate website on [www.dogtaskelebek.com](http://www.dogtaskelebek.com)

### **Voting and Minority Rights**

The Company shall avoid practices that make it hard for the shareholders to vote. It shall put in place the mechanisms necessary to provide each shareholder to exercise the right to vote in the easiest and most appropriate way. According to article 35 of the Articles of Association on Electronic Participation in the General Assembly, the right holders who are entitled to attend the General Assembly meetings of the Company may participate in these meetings in an electronic setting in accordance with Article 1527 of the Turkish Commercial Code. In accordance with this particular provision of the Articles of Association, the right holders and their representatives were provided with the conditions to exercise their rights as specified in the provisions of the said regulation during the General Assembly Meeting.

There are no privileged shares and thus no voting shares in the Company's Articles of Association. Each share has one vote. The partnership structure of the Company does not include a legal entity with which it has a mutual affiliate relationship. There is no regulation on minority shares to be represented in the management. The Articles of Association does not include a cumulative voting method.

### **Dividend Share Right**

The board of directors shall, for the distribution of the accumulated profits and payment of annual dividends, make a profit distribution proposal to the general assembly, taking into consideration the company's performance for the relevant year, prevailing economic conditions, investments, and the company's cash flow.

The Company's primary policy is to follow a policy in line with the criteria determined by the Capital Markets Law and balance the interests of the shareholders and the company. Pursuant to article 38 of the Articles of Association, the period profit, which remains in the annual balance sheet after deducting the amounts that the company has to pay or reserve such as general expenses, various amounts of depreciation and required taxes to be paid by the company's legal entity from the company's income at the end of the operating period, shall be distributed in the order specified below, after the deduction of prior years' losses, if any:

General Legal Reserves:

a) Five percent shall be reserved as legal reserves. The First Dividend:

The First Dividend:

- b) The first dividend is set aside from the remainder based on the amount to be determined after adding back the donations made during the year, if any, as required by the profit distribution policy to be determined by the General Assembly and in accordance with the relevant legislation.
- c) Once the aforementioned discounts are made, an amount of dividend at a percentage to be determined by the General Assembly shall be distributed among the members of the Board of Directors except the Independent Members of the Board of Directors.

The Second Dividend:

- d) The General Assembly is authorized to fully and partially distribute or set aside as voluntary reserve pursuant to the Article 521 of the Turkish Commercial Code the remaining part after deduction of the amounts specified in the items (a), (b) and (c) from the net period profit.

General Legal Reserves:

- e) A tenth of the amount found after the deduction of a 5-percent dividend paid to the shareholders from the part that is resolved to be paid to shareholders and other participating entities shall be added to the general legal reserves in accordance with Paragraph 2 of the Article 519 of the TCC.

Unless the legal reserves are set aside and the dividend prescribed for the shareholders in the Articles of Association is distributed in cash or as stocks, resolving to set aside additional reserves, carrying over any profit to the upcoming year, and distributing dividends to board members, officers, employees and workers, foundations established for various purposes or similar other individuals and/or organizations shall not be allowed.

The dividend shall be distributed equally to all current shares regardless of their issue and acquisition dates. The manner and time of distribution of the dividend resolved to be distributed shall be decided by the General Assembly upon such request of the Board of Directors. Distribution of dividend resolved by the General Assembly in accordance with these Articles of Association may not be revoked.

The Company may make donations to various organizations, institutions, foundations, and associations through a General Assembly resolution within the framework of the Capital Market Law without hindering the Company's purpose and subject of activity provided that hidden income transfer regulations are not breached, necessary material event disclosures are made, and the donations made throughout the year are submitted for the information of shareholders at the General Assembly. The General Assembly shall determine the upper limit of donations. Any donation exceeding such limit shall not be allowed and the donations made will be added to the distributable profit base. Unless the legal reserves and the first dividend designated for the shareholders in the articles of association are set aside, setting aside any additional reserves, carrying over any profit to the coming year, and distributing dividends to the board members, officers, employees, and workers shall not be allowed.

The location and time of the distribution of profit resolved by the general assembly with the relevant provisions of the legislation taken into consideration shall be announced to the shareholders by a material event disclosure through the Public Disclosure Platform and on the company's website.

As prescribed in the Capital Market Law and the CMB regulations and resolutions, our Company has submitted for the information of the General Assembly, and disclosed to the public, its profit distribution policies.

Dividend distribution is made as soon as possible following the General Assembly Meeting with the periods set forth by the CML and the CMB regulations. There were no distributable profits in the January 1, 2017-December 31, 2017 fiscal period prepared in accordance with the CMB regulations and resolutions. Thus, it was resolved at the Ordinary General Assembly on May 7, 2018, not to distribute dividends to the shareholders for the 2017 fiscal period.

### **Transfer of Shares**

The Company's Articles of Association does not have a provision that restricts transfer of shares. Transfer of shares shall be done in accordance with the provisions of the TCC and CMB.

### **Public Disclosure And Transparency**

Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. strives to make all legislated disclosures to the public. The Company pursues an active and transparent disclosure policy. It complies with the CML in all public disclosure practices and aims to employ the most effective communication policy within the scope of the CMB Corporate Governance Principles.

The Company's Articles of Association sets forth the information, other than those required by the legislation, to be disclosed to the public, the frequency and method of the disclosure, the frequency that

the Board of Directors and executives will meet with the press, the frequency of the public disclosure meetings, the approach to responding to the questions sent to the Company, and other matters.

The information that will be disclosed to the public pursuant to the Public Disclosure and Transparency principle is disclosed to the public on the “Public Disclosure Platform” at the [www.kap.org.tr](http://www.kap.org.tr) address and on the corporate website on [www.dogtaskelebek.com](http://www.dogtaskelebek.com) on time, in full and in a comprehensible, interpretable and low-cost manner to help in decision making by the individuals and institutions that will benefit from the disclosure.

There were 59 material event disclosures made in the year in accordance with the CMB regulations. All of the material event disclosures were made on time and published on our website.

The Disclosure Policy is available on the corporate website.

### **Corporate Website and Content**

The corporate website address on [www.dogtaskelebek.com](http://www.dogtaskelebek.com) provides information in English, in addition to Turkish, to allow international investors to use the site. The information on the Company’s corporate website is consistent with the content of the statements made within the framework of the relevant legislation, and does not contain any inconsistent or incomplete information. The website is updated according to relevant developments and contains all the matters stated in the Corporate Governance Principles, Part II, article 2.1. The Company Disclosure Policy includes the principles on management of the corporate website.

### **Annual Report**

The annual reports and interim annual reports are prepared in accordance with the provisions of the TCC, the “Regulation on Establishing the Minimum Content of Companies’ Annual Report” by the Ministry of Customs and Trade, and the CMB Communiqué No. II-14.1 on the Principles of Financial Reporting in Capital Markets, and the provisions of the Communiqué.

### **Disclosure to Stakeholders**

Stakeholders include the employees that have an interest in the Company’s reaching its goals and in its operations, and the institutions and interest groups such as creditors, suppliers, unions and various non-governmental organizations. In its transactions and operations, the Company protects the stakeholders’ rights set forth by the legislation and mutual agreements. In circumstances these rights are not protected by legislation or mutual agreements, it takes utmost care to protect the stakeholders’ interests within the principles of goodwill and so much as the Company’s means allow it. The Company complies with the Corporate Governance Principles in its relations with the stakeholders and has put in place the necessary mechanisms for this purpose. In the case a conflict of interest occurs between the stakeholders or a stakeholder belongs to multiple interest groups, the Company pursues a balanced policy so much as possible to protect the rights with an aim to protect each right independently.

The Company employees are informed during the regular annual meetings. In addition, the Human Resources Department constantly provides information to the employees about the internal