



**Corporate Governance Principles  
Compliance Report  
2017**

# Coca-Cola İecek A.Ş. Corporate Governance Principles Compliance Report

---

Coca-Cola İecek (CCI) adopts the “Corporate Governance Principles” as an important part of its management. In this context, CCI received 8.3 out of 10 following the studies conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA) and qualified for listing in the BIST Corporate Governance Index in 2009. Since then, CCI’s Corporate Governance Rating has increased steadily, with the latest revision confirmed as 9.45, as of 3 July 2017.

## SECTION I: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Coca-Cola İecek A.Ş. (CCI) conducts all of its operations within the framework of all existing regulations and the “Corporate Governance Principles”, which are prepared by CMB. The Corporate Governance Compliance Report includes information regarding the application of each item of the Corporate Governance Principles by our company, as well as if there are principles which were not applied, the reasons for not applying these principles, the conflicts of interest arising from not applying these principles and whether there is a plan to change the company’s management applications in the framework of the principles.

Our Company complied with the Corporate Governance Principles issued by CMB except for the below-mentioned provisions that were voluntary, in the period of 01.01.2017-31.12.2017. There are no conflicts of interest arising from the below-mentioned provisions that are not implemented.

- Currently, there is only one woman Board member in our Board of Directors. It is recommended by the Corporate Governance Committee to the Board of Directors to increase women members in the Board in the coming years and our efforts continue in this regard.
- In accordance with Article 4.6.5 of the Corporate Governance Principles, the remuneration and all other benefits provided to Board members and senior managers are made public through our annual report. However, the declaration is not made separately for each member, but a cumulative number is provided for all board members and senior management separately.
- CCI’s Articles of Association do not restrict the transfer of Class C shares. However, there are certain stipulations for the transfer of Class A and Class B Shares.
- Class A and Class B shares have certain privileged rights with respect to management. CCI has a Board of Directors consisting of 12 members, 7 of whom are nominated by Class A shareholders and 1 of whom is nominated by Class B Shareholders. The remaining 4 Directors are independent.

**İzzet Karaca**

**Corporate Governance Committee Chairman**

**M. Hurşit Zorlu**

**Corporate Governance Committee Member**

**M. Mete Başol**

**Corporate Governance Committee Member**

**Dr. R. Yılmaz Argüden**

**Corporate Governance Committee Member**

**Yeşim Tohma**

**Corporate Governance Committee Member**

## SECTION II: SHAREHOLDERS

### 2.1. Shareholder Relations Department

CCI has an Investor Relations Department reporting directly to the Chief Financial Officer (CFO) Michael Anthony Coombs and managing the relations of the company with its shareholders.

The individuals in charge of investor relations are as follows:

Yeřim Tohma

Group Investor Relations Manager

Tel: +90 216 528 3386

Fax: +90 216 510 7010

E-mail: yesim.tohma@cci.com.tr

Licenses: Capital Market Activities Level 3 License Certificate (no: 210035), Corporate Governance Rating Specialist License (no: 702144)

Dr. Nebahat Rodoplu Doęan

Investor Relations Executive

Tel: +90 216 528 3392

Fax: +90 216 510 7010

E-mail: nebahat.rodoplu@cci.com.tr

Licenses: Capital Market Activities Level 3 License Certificate (no: 208812), Corporate Governance Rating Specialist License (no: 701575)

Özge Tařkeli

Investor Relations Executive

Tel: +90 216 528 4382

Fax: +90 216 510 7010

E-mail: ozge.taskeli@cci.com.tr

Licenses: Capital Market Activities Level 3 License Certificate (no: 205139), Corporate Governance Rating Specialist License (no:702106)

Questions directed to the Investor Relations Department are answered in accordance with CCI Disclosure Policy. During 2017, CCI management and the Investor Relations Department attended 14 investor conferences and roadshows and organized 28 conference calls and met with 289 investors/analysts from 220 companies and investment funds at its headquarters, investors/analysts' offices, investor conferences or teleconferences. CCI organized 4 webcasts, each day after the quarterly earnings releases to discuss the related quarter's financial performance.

The Investor Relations Department meets with analysts and investors on a regular basis to share developments and respond to inquiries relating to CCI's strategic, operational and financial performance. These meetings are held within the context of equality principles and each presentation shared with analysts or investors are made public via CCI's web site.

The Corporate Governance Committee is responsible for monitoring the activities of the Investor Relations Department of our company. Within this context, the Committee determines the standards for all announcements and main principles of investor relations, reviews these standards and principles and compliance with these every year, and gives necessary advice to the Board of Directors. The report that is prepared by the Investor Relations Department regarding its activities and submitted to the Corporate Governance Committee at every meeting held by the Committee is also submitted to the Board of Directors by the Committee. In 2017, five Committee meetings were held, whose dates are provided in Attachment-1. In accordance with the Corporate Governance Principles, Yeřim Tohma, who has been working as Investor Relations Manager, was appointed as a member of the Corporate Governance Committee, according to the Board decision dated 14.11.2017.

Details regarding the activities performed by this department in 2017 can be found in our Company's 2017 Annual Report.

### **2.2. The Use of Shareholders Rights to Obtain Information**

The CCI Disclosure Policy includes equal treatment to all shareholders, and provides that accurate disclosure with similar content reaches every recipient at the same time. Information requests from shareholders regarding matters that are not yet within the public domain are also evaluated according to this policy and selective disclosure is never permitted.

Information is disclosed by means of announcements to the Public Disclosure Platform and via press releases. In order to raise shareholder accessibility to publicly available information and as per article no 2.1 of Section II of the Corporate Governance Principles, all public announcements are posted in Turkish and English on the Company's web site ([www.cci.com.tr](http://www.cci.com.tr)). In addition, all announcements are distributed by e-mail to those registered in the Company's database. There is no specific condition required to be included in this list and all requests by investors, analysts and interested parties to be included in this list are encouraged and accepted.

Provision for the request to assign a special auditor is not arranged as an individual right in CCI's Articles of Association. Our company acts in accordance with the relevant articles of the Turkish Commercial Code regarding the right to request for a special audit. In 2017, there has not been any request by shareholders for the assignment of a special auditor.

### **2.3. General Assembly Meetings**

The annual Ordinary General Assembly of CCI was held on April 10, 2017 at the headquarters of the Company with a quorum of 81.8% constituted by the total present 208,083,293.312 TL nominal value shares out of 25,437,078,200 common shares - with 1 Kr par value. CCI's domestic and foreign shareholders attended the General Assembly in person or by proxy. Registered shareholders were informed through invitation letters, dated March 16, 2017, about the day, hour, venue and agenda of the meeting.

## Coca-Cola İecek A.Ş. Corporate Governance Principles Compliance Report

---

The day, hour, venue and agenda of the meeting was announced on the Turkish Commercial Registry Journal no 9286, dated March 17, 2017, and Sözcü newspaper, dated March 21, 2017, as well as on CCI's web site at [www.cci.com.tr](http://www.cci.com.tr).

The General Assembly Informative Document was prepared and published on the company web site on March 16, 2017. Before the meeting, 2016 Annual Report of the Board of Directors including the Balance Sheet and Income Statement, Corporate Governance Compliance Report, dividend distribution proposal of the Board of Directors, Independent External Audit Report were made ready for the evaluation of our shareholders at our headquarters and our website, at least three weeks prior to the date of the General Assembly and it was printed and delivered to the General Assembly participants. The proxy forms for attendance by proxy is also available on our website to ease the process of attendance.

Although there is no such article in our Articles of Association, the General Assembly meetings of our company are open to public including the stakeholders and the media without having the right to speak. No media representatives were present during the General Assembly meeting on April 10, 2017. Nonetheless, a Corporate Governance Rating Agency representative was present as a guest at the meeting. A presentation regarding the developments in 2016 was given to participants. In the General Assembly, shareholders used their rights to raise questions and these questions were answered. Questions asked during the General Assembly meeting and responses to these were recorded in the meeting minutes. The Shareholders had no request relating to any agenda items.

There has not been any transaction that required the approval of the majority of the independent Board members for the Board of Directors to make a decision, and where the decision was left to be resolved by the General Assembly because this condition was not met.

The shareholders were informed about CCI's donations as a separate agenda in the General Assembly.

Shareholders who have a management control, members of the Board of Directors, managers with administrative responsibility and their spouses, relatives by blood or marriage up to second degree have not conducted a significant transaction with the company or subsidiaries thereof which may cause a conflict of interest, and/or conduct a transaction on behalf of themselves or a third party which is in the field of activity of the company or subsidiaries thereof, or become an unlimited shareholder to a corporation which operates in the same field of activity with the company or subsidiaries thereof. There were also no transactions conducted by persons who have the opportunity to access information of the company in a privileged manner, on their behalf within the scope of the company's field of activity.

Minutes of the General Assembly meeting and list of attendees were announced to the public on the same day with the General Assembly through the Public Disclosure Platform. Minutes of the General Assembly meeting and Lists of Attendees are also available both in English and in Turkish for the information of our shareholders on our web site.

### 2.4. Voting Rights and Minority Rights

The Company's Articles of Association does not grant any privilege regarding voting rights. Each share is entitled to 1 (one) vote at ordinary or extraordinary General Assembly Meetings. Shareholders may be represented at General Meetings by proxies given either to other shareholders or to those who are not shareholders. Such proxy holders who are also shareholders shall have the right, apart from their own vote, to vote for each share which they represent. The form of the proxy shall be determined and announced by the Board of Directors in compliance with the relevant CMB legislation.

While our company avoids practices, which make the use of voting rights difficult, various mechanisms have been set in place to enable every shareholder, including cross-border shareholders, to use their voting rights in a proper and simple manner. In this context, according to Article 10(e) of the Articles of Association of the company regarding "Participation in the General Assembly via Electronic Means", shareholders having the right to attend the General Assembly can attend the meeting electronically in accordance with article 1527 of the Turkish Commercial Code. In accordance with this article of the Articles of Association, at the 2016 Ordinary General Assembly meeting, shareholders and their representatives were able to use their rights as mentioned in the regulation.

While utmost care is given to the use of minority rights, our Articles of Association regulates the usage of all minority rights in accordance with regulations. The Articles of Association of our company does not include any article broadening the extent of minority rights compared to the Law.

There is no cross-shareholding relationship with the majority shareholders of our Company.

### 2.5. Dividend Rights

As a result of the voting held in the Ordinary General Assembly of CCI dated April 15, 2014, it was resolved with a majority of votes comprising the "affirmative" votes that the amendment text regarding the Dividend Policy of the Company for 2013 and subsequent years be approved as-is and the Dividend Policy be amended in accordance with the Capital Markets Board's Communiqué on Dividends dated January 23, 2014, number II-19.1.

#### **Dividend Distribution Policy**

Our Company carries out dividend distributions pursuant to the provisions of the Turkish Commercial Code, Capital Markets Regulations, Tax Regulations and other relevant regulations as well as in accordance with the article on dividend distribution of our Company's Articles of Association. Our Company targets to distribute an amount not to exceed 50% of the distributable profit as cash and/or bonus shares each year. This dividend distribution policy is subject to the investment and other funding needs that may be required for the long-term growth of the Company and any special cases that may arise due to the extraordinary developments in the economic conditions. The

Board of Directors adopts a resolution on dividend distribution for each accounting period and submits it for the approval of the General Assembly. Dividend distribution commences on the date to be determined by the General Assembly which shall not be later than the end of the year during which the General Assembly Meeting is held. The Company may consider making advance dividend payments or paying out the dividends in equal or variable installments. Without prejudice to the investment plans and operational requirements, the Board of Directors may propose a dividend distribution at a rate to be higher than the upper limit determined, subject to the approval of the General Assembly.

Share groups do not have any privileges with respect to dividends.

Dividend Policy was submitted for the information of the General Assembly on April 15, 2014 and published both in the Annual Report and on the website.

While dividend policy of our company is available on our website and annual report, detailed explanations and tables regarding the distribution of profit for the year 2016 are also provided in our Company's 2016 Annual Report.

According to the decision taken in the Ordinary General Assembly of CCI dated April 10, 2017, a total TL 50,111,044.00 gross dividend was paid starting from May 22, 2017. As the fiscal year 2016 ended with a loss, this amount was paid from extraordinary reserves for the year 2012, after legal liabilities are deducted. A gross dividend of TL 0,197 was paid per 100 shares, representing TL 1 nominal value. Turkey based full and limited corporate tax payers, who receive dividends through an established business or a representative office in Turkey received a net amount of TL 0,197 per 100 shares, and other shareholders received a net amount of TL 0,16745 per 100 shares.

### **2.6. Transfer of Shares**

The provisions regarding transfer of A and B Group shares are contained in the Company's Articles of Association. However, the Articles of Association does not restrict the transfer of Class C Shares. The Articles of the Association is available in both Turkish and English on CCI's web site at [www.cci.com.tr](http://www.cci.com.tr).

## **SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY**

### **3.1. Corporate Web Site and Content**

CCI's corporate web site is hosted at [www.cci.com.tr](http://www.cci.com.tr). The web site is maintained in both Turkish and English and its content and form comply with the requirements set forth in the CMB Corporate Governance Principals. On the web site, all information required as per article no 2.1 in Section II of CMB's Corporate Governance Principles is available.

Announcements of financial statements, except for material events and footnotes which are mandatory to be disclosed to public in accordance with capital markets regulations, are simultaneously being disclosed at Public Disclosure Platform in English as well as in Turkish.



### 3.2. Annual Report

The Annual Report of our company is prepared in detail and in a way that the public may have access to the full and accurate information about the operations of our company, and includes information as required by Article no 2.2.2 in Section 2 of the Corporate Governance Principles in addition to the related regulations and the other requirements specified in other parts of the Corporate Governance Principles.

## SECTION IV: STAKEHOLDERS

### 4.1. Informing Stakeholders

One of the key policies of the Company is to create timely and applicable solutions for any employee and other stakeholders' issues. CCI informs employees, suppliers, customers and other stakeholders on related matters using a variety of methods.

Coca-Cola İçecek's Employee Compensation Policy as required by the non-mandatory Article no 3.1.2 of Corporate Governance Principles and in March 2015, as provided below and immediately disclosed at company website.

### COCA-COLA İÇECEK A.Ş. EMPLOYEE COMPENSATION POLICY

At our Company, while determining Employee Compensation Policy (the "Compensation Policy"), provisions of Labor Code no. 4857 (the "Labor Code"), 14th Article in force of former Labor Code no. 1475 (the "14th Article") and Coca Cola İçecek A.Ş.'s Human Resources Policy provisions are taken as basis. On the other hand, while determining and practicing Compensation Policy for employees who are within the scope of the Collective Bargaining Agreement ("CBA"), the severance and notice payment provisions of the CBA are applicable.

#### Severance Payments

Severance Payments are made in accordance with the duration of employment, to employee or his/her legal inheritors in case of decease of the employee,

- whose labor contract has ended according to conditions that require severance payment as stipulated in the Labor Code and the 14th Article and,
- who has at least one year labor at the Company.

Number of days that taken into account for determining severance payment to be paid to employees are as written on Company Regulations and for members of the Union, as on CBA.

#### Notice Payments

In case of any requirement of notice period; the procedure is followed in accordance with the 17th Article of the Labor Code or, for the employees who are members of the union, in accordance with the provisions set forth in CBA. Besides, labor contract of the



relevant employee may be concluded upon payment in cash of the service fee up to the end of notice period. In case of conditions that require giving notice period, permission for job seeking is granted to the relevant employee.

The Coca-Cola Hot Line is active (0800 261 19 20) for consumer inquiries. Consumers, customers and shareholders may also reach us through the communication forms on our web site at [www.cci.com.tr](http://www.cci.com.tr).

Information exchange with distributors and other customers is ensured by periodic distributor meetings as well as site meetings held by personnel in charge in various locations. Furthermore, customers and suppliers are able to relay their views to Company's management, verbally or in writing.

Meetings are held with suppliers so as to improve the quality of the materials and services purchased, as well as on other industrial developments and pilot activities that are conducted with respect to co-produced projects.

Through the wide data information network established with our customers, we can exchange information on a real-time basis. Through our e-sales system operating on the internet, our customers are immediately informed of modifications put into effect, training is provided where necessary and satisfaction surveys are conducted.

The Corporate Governance Committee has developed necessary mechanisms for stakeholders to report Company's illegal or unethical practices to the "Corporate Governance Committee" or the "Audit Committee". In addition, according to its own charter, the Corporate Governance Committee is responsible for monitoring whether the management establishes a system regarding the Company's code of business conduct and ethics. The Audit Committee, on the other hand, reviews whether the management monitors Company's compliance to such code of business conduct and code of ethics, assesses the risk of abuse of such and provides trainings on such codes of business conduct and ethics as well as their abuses.

### 4.2. Participation of the Stakeholders in Management

Our stakeholders are defined as persons, groups or corporations that we affect through our operations or that affect us through their actions. The opinions and the evaluations of our stakeholders by the below stated platforms, are taken into consideration in the decision processes.

Stakeholders	Dialog Platform
Employees	Employee Engagement and Satisfaction Survey, Newslane, Newsletter, CokePort, Digital Info Boards, Townhall Meetings, press reports, CCIdea Platform and Innovation Day, CCI training programs, leadership development trainings, sales incentive programs, Reputation Surveys, volunteer programs.
Distributors/Sellers	Distributor meetings, Process improvement studies, regular visits, training programs, plant visits, distributor satisfaction questionnaire, Distributor portal, CCI Call Center
Shareholders	General Assemblies, website, Public Disclosure Platform (PDP)

## Coca-Cola İçecek A.Ş. Corporate Governance Principles Compliance Report

---

Customers	Trainings, support programs, regular visits, plant visits, Coca-Cola Customer Road Show, Customer Satisfaction Survey, CCI Call Center, Focus group studies, business planning meetings
Suppliers	Training programs, improvement audits, plant visits, supplier days, supplier performance scores, supplier surveys, cooperation portal, industrial development and pilot activities.
Investors	Annual report, investor conferences, analyst meetings, investor presentations, CSR reports, website, webcast, Investor Relations department, e-mail distributions, special case announcements, Public Disclosure Platform, direct feedback forms through CCI's corporate website, CDP Climate Change Report, CDP Water Report, Sustainability Index Assessment.
Public Institutions and Organizations	Information for contribution to sector development, full compliance with the laws and regulations, support regarding infrastructure investments, Reputation Surveys
NGOs	Project partnerships, corporate and individual employee memberships, participation in conferences and presentations, Reputation Surveys, Stakeholder Day.
Union	Union representation, collective labor agreements, representative meetings, plant visits
Media	Periodical information, regular updated statements, support programs, regular visits, website, plant visits, Reputation Surveys
Consumers	Coca-Cola Call Center, Coca-Cola Open to Curiosity Platform, Coca-Cola Social Interaction Center, website, informative publications, plant visits, product labels
Sector Groups	Corporate memberships, joint projects, participation in meetings and conferences.
Society	CCI Community Champion Awards, Coca-Cola Open to Curiosity Platform, Donations, website, plant visits, support programs, voluntary practices, Coca-Cola Call Center, information through mass communication, product labels, advertisement and marketing activities, environmental training sessions, social engagement projects, field studies, meetings, survey and eliciting opinions, Reputation Surveys, Annual report, Sustainability Report

### 4.3. Human Resources Policy

CCI Human Resources policy aims to build a highly capable organization and be the employer of choice. Accordingly, CCI Human Resources Policy has been founded on the continuous development in the main strategic priorities as stated below:

- Systematically build key organizational capabilities to increase competitive power
- Develop and maintain a pipeline of diverse talent for leadership bench strength
- Foster highly engaged & high performance workforce
- Build an inclusive one Company culture

Starting from workforce planning, all human resources processes such as recruitment, performance management, talent management, training and development,

compensation and benefits management are based on ensuring, encouraging and rewarding continuous development and superior performance.

Within this context, “employee development” is one of the most important annual individual goals both for all managers and all employees and their performance is evaluated accordingly.

For the development and superior performance of our employees, we focus not only knowledge and skill development, but we also focus on competency development.

As CCI, we have identified Leadership Behaviors as “looking ahead, impact and influence, drive for result, partnering with customer, inspiring others, diversity and inclusion.” We aim to recruit talents and to develop our employees in these capabilities.

We believe that, for continuous improvement and superior performance, being perceived by our employees as an open, fair and sensitive company who protects the material and moral rights and listen to the employees’ views and proposals and improve them, is of vital importance.

Accordingly, all human resources policies and procedures are published on a platform which is open to all employees, vacant positions are announced to employees, employee views and proposals are collected on a regular basis by internal customer satisfaction and employee engagement surveys, action plans are prepared and put into force for improvement areas. In addition, all employees can access our online learning platform in their development areas, and the communication between employees and the management team is supported by applications such as open door and human resources information meetings.

Employee representation in Turkey operations is ensured on the following committees as a member of the Committee:

- **Occupational Health and Safety Committee:** Works on issues of occupational health and safety, evaluates the risks of the business environment, follows implementation of CCI occupational health and safety policies and procedures, guides employees on this issue and performs other activities stipulated by the regulations in this regard. The committee works on issues of occupational health and safety. The employees are represented by either a Trade Union Representative (if facility is unionized), foreman representative or HR and Admin Responsible. Employee representatives participate in studies for health and security in the workplace, monitor the studies, request for measures and precautions, give suggestions and represent workers in similar matters particularly on health and security. Participation of employees in activities related to Occupational Safety and Health are encouraged at the highest level to create and maintain a "Safety Culture".
- **Women’s Networking Committee:** CCI Women’s Networks are platforms for female employees to interact and organize various activities focusing on networking, capability development, leadership skills and empowerment in the workplace and community.

- **Meal and Cafeteria Service Quality Improvement Committee:** Established to collect employees' opinions in order improve meal service and daily menu selection according to the dietary recommendation of the company doctor. Employees are represented by either the HR and Admin Responsible or Trade Union Representative if the facility is unionized.
- **Disciplinary Board:** Disciplinary Committee established in accordance with the Collective Bargaining Agreement is available in workplaces, for unionized employees. This committee is formed of three employer representatives, one of whom acts as chairman and two trade union representatives. The committee meets to decide and to make the assessment of prohibited actions, determined under the Collective Bargaining Agreement.

For all employees outside the scope of the Collective Bargaining Agreement, the Central Disciplinary Committee is available, formed in accordance with the Disciplinary Procedure. Legal director and Human Resources Director were also included in the committee. This committee meets with the participation of Function Directors and Legal Managers to evaluate and decide on actions to be subject to the Ethic Code, Health & Safety and violation of Company policies and Procedures under the Disciplinary Procedure. Decisions taken are approved by the Turkey General Manager.

- **Accident Evaluation Committee:** Established to evaluate the responsibility of the employee who has been involved in a traffic accident while using a Company car in the accident. The Committee is formed by representatives from HR, supervisor of the employee and Fleet and Garage Supervisor. The Committee analyses the situation and decides to implement conditions that are stated in the Car Accidents Policy.

In addition to the above mentioned Committees, in each unionized facility, trade union representatives operate for the continuity of work performance under the provisions of the Bargaining Legislation and Collective Bargaining Agreement and undertake the following responsibilities:

- Protecting and improving the cooperation and occupational peace between the worker and the employer at the workplace;
- Receiving requests and complaints of workers, finding solutions for these requests and complaints in collaboration with the employer;
- Protecting the rights and interests of the workers;
- Helping the execution of the working standards stated in the Collective Agreement;
- Fulfilling all other liabilities imposed by the relevant legislation.

### 4.4. Ethical Rules and Social Responsibility

CCI's most valuable wealth is the "Coca-Cola" brand and its employees creating it. This brand presents very unique and significant qualities such as its esteem with respect to honesty and reliance. This esteem comes from the shared values and especially from fastidiousness about continuing the Company's activities in the best way possible.

CCI's Code of Ethics was updated on April 30, 2013 and expanded in a manner to apply to all countries where CCI operates. The Ethics and Compliance Committee was formed and the CCI Ethics and Compliance Director and Local Ethics and Compliance Managers were appointed. In addition, new ethics communication channels and a website and communications line, managed by an independent third party, were created.

The Company comprehensively discloses its social, environmental and economic impacts in its operating geography through Corporate Social Responsibility Reports prepared in line with international reporting standards. (CCI's detailed Sustainability Reports are available at [www.cci.com.tr](http://www.cci.com.tr))

The company together with The Coca-Cola Company, sees corporate responsibility as creating a value for and an investment on the community, its employees, stakeholders, the society, the environment and its own future. The focus points of managing the environmental impacts of the activities are water management, sustainable packaging, energy efficiency and climate protection. The Coca-Cola System develops and supports projects that help the cultural and social development of the communities in which it operates in with special emphasis on improving the quality of life of the people in their living environments. Within this framework, CCI aims to find sustainable solutions for environmental problems in coordination with non-profit organizations.

As per the Company's Articles of Association, we donate some part of our profit before taxes to the Anadolu Education and Welfare Foundation. The Anadolu Education and Welfare Foundation, an organization that invests in areas related to community health and education, social welfare and healthcare field, was established in 1979 and has completed more than 50 projects to date that include hospitals, schools, and sports complexes and made donations.

### 4.5. Sustainability

As a Coca-Cola bottler with annual sales exceeding 1 billion unit cases, we are aware of our impact on the environment and society. In this context, we continuously seek to better integrate our sustainability efforts into our daily actions. Having published the 9th Sustainability Report of CCI, we extended the scope and boundaries of the latest report by including full data for CCI Pakistan. With the inclusion of Pakistan, the coverage of the report reached 88% of CCI's total production volume and 85% of CCI's employees as of December 31, 2016.

Since joining the UN Global Compact in 2009, we have been firmly committed to supporting its ten principles. Accordingly, we continue to strive for improvement in our policies and practices on human rights, labour conditions, environment and anti-

corruption. Our objective is to further integrate these principles into our business where they matter most and effectively track our performance. Health & safety metrics are followed regularly by CCI management and reported to the board. Campaigns such as "Golden Safety Rules Awareness, Hand In Hand Safety program and health and safety trainings are conducted and health & safety KPI's are reported to the Board regularly.

In recognition of our efforts, CCI has been the first and only Turkish UNGC 100 Sustainability Index company since 2013. Building on our success, in 2015 we were chosen among the 29 companies to be quoted in Borsa Istanbul's (BIST 50) Sustainability Index. CCI was included in Borsa Istanbul Sustainability Index for the third consecutive year in 2017. Meanwhile, we have continued our disclosure to CDP Turkey since 2011. With its sixth Climate Change report to CDP Turkey, CCI was recognized as one of Climate Change Leaders of Turkey in 2016. CCI also submitted its fourth water report to the CDP Water Program in 2017.

Our ongoing efforts to further advance our sustainability performance have been recognized by a number of prominent international institutions. CCI was included in MSCI ESG Leaders Index, receiving AA rating for the second time and ranking 5th among global beverage companies in 2017. CCI has also been chosen to be included in FTSE4Good Index for the second year and ECPI Sustainability Index for the first time in 2017.

## SECTION V: BOARD OF DIRECTORS

### 5.1. Structure and Composition of the Board of Directors

The Company is managed and represented by a Board of Directors comprised of twelve members elected by the General Assembly. CCI has a Board of Directors consisting of 12 members, 7 of whom are nominated by Class A shareholders and 1 of whom is nominated by Class B Shareholders. The remaining 4 Directors are independent.

The Board of Directors of the Company is as follows:

Tuncay Özilhan	Chairman	(Non-executive)
Galya Frayman Molinas	Vice Chairman	(Non-executive)
Mehmet Hurşit Zorlu	Member	(Non-executive)
Salih Metin Ecevit	Member	(Non-executive)
Talip Altuğ Aksoy	Member	(Non-executive)
Kamilhan Süleyman Yazıcı	Member	(Non-executive)
Mehmet Cem Kozlu	Member	(Non-executive)
Ahmet Boyacioğlu	Member	(Non-executive)
Ahmet Cemal Dördüncü	Member	(Independent)
Hamit Sedat Eratalar	Member	(Independent)
Mehmet Mete Başol	Member	(Independent)
İzzet Karaca	Member	(Independent)

## Coca-Cola İçecek A.Ş. Corporate Governance Principles Compliance Report

---

The Board Members were elected to the Board of Directors for 1 year at the Ordinary General Assembly meeting which was held on April 10, 2017 to officiate until the Ordinary General Assembly Meeting which is to be held to discuss the results of the 2017 activity year. At the same General Assembly meeting, it was resolved to authorize the Chairman and the Members of Board of Directors to perform the operations and acts as stated in Articles 395 and 396 of the Turkish Commercial Code.

According to Corporate Governance Principles on Board restructurings, in the case where a separate Nomination Committee, cannot be established, the Corporate Governance Committee can fulfill the responsibilities of this committee. In that respect, the Corporate Governance Committee assessed the candidate proposals of Ahmet Cemal Dördüncü, Hamit Sedat Eratalar, Mehmet Mete Başol and İzzet Karaca to become an independent member, including the ones made by the Board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report dated February 6, 2017 to the Board on February 7, 2017 for its approval. The candidates for the independent board membership submitted their written statements to the Corporate Governance Committee at the time they were proposed as candidates, that they are independent within the framework of the law, Articles of Association and the principles.

The written statement by all independent Board members declaring their independent status in the context of the principles in the regulatory framework, Articles of Association and the communiqué is as follows:

I hereby declare and state that;

- No employment relationship has been established during the last five years between me, my spouse and my relatives by blood or marriage up to second degree and the company, partnerships which the company controls the management of or has material influence over or shareholders who control the management of or have material influence over the company and legal entities which these shareholders control the management of, which has caused me to assume important duties and responsibilities in an executive position nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,
- I was not a shareholder of (5% and more) nor held an executive position which would cause me to assume important duties and responsibilities or officiated as a board member, during the last five years, in any company from or to which the company purchases or sells a substantial quantity of services or products based on agreements made, during the periods these services or products were sold or purchased including especially those companies which carry out audit (including



tax audits, legal audits, internal audits), rating and consultancy services for the company,

- I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent board member,
- I am not a full-time employee with any public entity or organization following my election as a member with the exception of employment as a university professor provided that such employment is in compliance with the laws and regulations that are applicable to universities,
- I am assumed to be a resident in Turkey in accordance with the Income Tax Law dated 13.12.1960, numbered 193;
- I have strong ethical standards, professional reputation and experience that shall allow me to contribute positively to the activities of the company, maintain partiality in conflicts of interests between the company and its shareholders and decide freely by taking into account the rights of beneficiaries;
- I am able to dedicate a sufficient amount of time to the affairs of the company in a manner to follow up the conduct of company activities and duly perform the duties I have assumed,
- I did not officiate as a board member on the board of directors of the company for longer than 6 years during the last ten years,
- I am not officiating as an independent board member with more than three of the companies which the company controls or shareholders that control the management of the company control the management and in total more than five of the companies which are traded on the stock exchange

and thus I shall carry out the duties imposed upon me due to my being a board member as an independent member.

The statement of independent status and the curriculum vitae of the Board members which also include their responsibilities outside of our Company, are present both in the 2017 Annual Report and the website of our Company.

The Company does not impose any restrictions concerning additional duties that its Board Members may assume outside the Company.

Individuals who were elected as Independent Board Members were neither registered nor declared on behalf of a corporate identity.

In 2017, there arose no situation which revoked the independence of the independent members of the Board of Directors.

Ms. Galya Frayman Molinas is the only women member in our Company's Board of Directors. It is recommended by the Corporate Governance Committee to the Board of Directors to increase women members in the Board in order to reach a target ratio, not less than 25% as stated in the Article no 4.3.9. of the Corporate Governance Principles in the coming years and our efforts continue within this regard.

### **5.2. Principle Activities of the Board of Directors**

The procedures and frequency of Board meetings, meeting and resolution quorum, process of asserting objections and the validity of Board resolutions are explicitly laid down in the Articles of Association.

The agenda of Board meetings is comprised of agenda issues designated in the previous Board meeting for further negotiation in the next meeting along with the issues designated by the Company's Senior Management. Any Board Member may also, by reporting to Senior Management, add other agenda items. Issues that are required to be discussed by the Board are compiled at the office of the CFO with the aim of developing the agenda of the next meeting. Dates of the Board meetings are fixed at the beginning of the year and the Board members are notified of the meeting dates accordingly.

The Board holds its ordinary meetings approximately 5 times a year and the Board members also may convene upon any extraordinary situation and negotiate and render resolutions on critical agenda issues. The Chairman, the Vice-Chairman and each Board member shall have the right to call the Board for a meeting by sending an invitation at least 15 (fifteen) days prior to such a meeting to all other Board members and/or insert items to be discussed on the agenda of such meetings. Invitations to such meetings should be sent by facsimile to be followed by a hard copy delivered by courier against written acknowledgement of receipt or by registered mail. The Board members may waive such invitation requirement in writing. Board meetings shall be held at the head offices of the Company or at any other place in or outside Turkey as the Board shall decide with an ordinary meeting and decision quorum. The Board of Directors may take decisions without holding a meeting pursuant to Article 390/4 of the Turkish Commercial Code. The meeting and decision quorum as provided in the Company's Articles of Association shall apply to such decisions as well. Five Board Meetings were held in 2017. The Legal Director acts in the capacity of Secretariat on the Board of Directors. All questions that arise during the meetings and all issues negotiated are recorded into the minutes of the meeting.

The rate of participation of Board Members in these five meetings during 2017 has been 93% and Board members aim to attend every meeting and to present an opinion. The opinions of those members who fail to attend the meeting but submit their opinions in writing shall be conveyed to the other members.

Meeting proceedings in the nature of trade secrets are not disclosed to the public. However, all of the critical matters resolved are announced through a special case announcement.

Board Members do not reserve the right to cast weighted votes and/or powers of veto. Each member, including the Chairman, possesses an equal vote.

The Board resolutions related to the related party transactions of our Company are taken with the majority vote of the independent members, in accordance with the Corporate Governance Principles. Since there are no transactions that are in the scope of the significant transactions in 2017 as per the Corporate Governance Principles Communiqué, the majority of the independent members have participated in the Board resolutions.

Our Company is insured against damages that may be caused due to the faults of the members of the Board of Directors during the execution of their duties and the relevant insurance exceeds 25% of the Company's capital as stated in the Article no 4.2.8 of the Corporate Governance Principles. The total annual responsibility limit is determined according to the management's decision and currently the limit is expected to remain at its current levels.

### **5.3. Number, Structure and Independence of the Committees established under the Board**

There are three committees active under CCI's Board of Directors.

#### Audit Committee

Upon resolution of the Board of Directors dated July 21, 2004, the Audit Committee was established. As per the resolution of the Board of Directors dated May 3, 2017, Board Member Mehmet Mete Başol was elected as the Chairman and Mr. Hamit Sedat Eratalar as the member of the Audit Committee.

#### Corporate Governance Committee

CCI's Board of Directors, at its meeting on July 31, 2008, resolved to establish a Corporate Governance Committee comprised of members of the Board of Directors. In accordance with the decision of the Board of Directors on May 3, 2017, Mr. İzzet Karaca was appointed as the Chairman and; Mr. Mehmet Hurşit Zorlu, Mr. Recep Yılmaz Argüden, Mr. Mehmet Mete Başol and Mr. Deniz Can Yücel as the members of the Corporate Governance Committee. Effective as of November 14, 2017, Mrs. Yeşim Tohma has been appointed as the member of the Corporate Governance Committee for the place vacated by the resignation of Mr. Deniz Can Yücel.

#### Risk Detection Committee

Upon resolution of the Board dated 23 May 2012, the Risk Detection Committee was established. As per the resolution of the Board dated May 3, 2017, Board Member Mr. Ahmet Cemal Dördüncü was elected as the Chairman and İzzet Karaca as the member of the Risk Detection Committee.

## Coca-Cola İçecek A.Ş. Corporate Governance Principles Compliance Report

As per Article no 4.5.3 of the Corporate Governance Principles and the Board resolution dated 3 May 2017, all members of the Audit Committee and the chairman of other committees are independent. Likewise, in line with the Principles, the chief executive/general manager does not have a role in any of the committees. Except for Mehmet Mete Bařol and İzzet Karaca who are members of two committees as their knowledge and experience are useful for both committees, no other Board member has a role in more than one committee. Members of the committees constituted within the Board are as follows:

	Independent Member	Executive
<b>Audit Committee</b>		
Mehmet Mete Bařol – Chairman	Yes	No
Hamit Sedat Eratalar – Member	Yes	No
<b>Corporate Governance Committee</b>		
İzzet Karaca - Chairman	Yes	No
Mehmet Hurřit Zorlu – Member	No	No
Mehmet Mete Bařol – Member	Yes	No
Recep Yılmaz Argüden* – Member	No	No
Yeřim Tohma* – Member	No	Yes
<b>Risk Detection Committee</b>		
Ahmet Cemal Dördüncü - Chairman	Yes	No
İzzet Karaca - Member	Yes	No

(\*) Not a Board Member at CCI

Evaluation of the Board of Directors regarding the working principles and efficiency of Committees constituted within the Board is presented as attachment to the Corporate Governance Compliance Report (Attachment 1).

### 5.4. Risk Management and Internal Control Mechanism

CCI's management has the primary ownership for the Risk Management and Internal Control System. Enterprise Risk Management (ERM), which directly reports to the Risk Committee, acts as a facilitator and provides assurance and consultancy services in the risk management area.

Under the ERM framework, CCI's top management determines important opportunities and threats and manages them according to risk appetite. Enterprise Risk Management, developed for the aim of determining CCI business strategies, is a systematic and disciplined process consisting of all company processes and is being affected by all company employees.

With the coordination of ERM function, risk events are assessed in terms of reaching Company's goals and priority risks are determined. Top risks and the action plans needed to mitigate those risks are periodically shared with the members of the Risk Detection Committee to be reported to the Board of Directors. This process which is integrated with strategic planning is also supported by an ERM tool for better management and sustainability.

Some of the tools used to manage risks are stated below;

- Performance and risk indicators are used as early warning systems in order to trace risks and take necessary precautions on time. The SAP system that is

integrated to all procedures in the Company is an efficient technological decision support system that is used for this purpose.

- SAP supplies operational results in real time that eliminates the human error and improves the efficiency of the early detection of risks and internal control system. On the other hand, our high technology internal communications system enables us to quickly act and generate immediate solutions to problems as they occur.
- Business continuity and crisis management are in place to prevent or mitigate any losses created by production or business interruption due to environmental risks or supply chain problems. This process is also supported by an effective insurance program.
- Investments for backup systems are being made against any data loss due to extraordinary events.
- Additionally, environmental factors and extraordinary situations are monitored on an immediate basis and investigations are made towards taking necessary measures against the causes to minimize risk.

The CCI Internal Audit Department, based on the results of the risk assessment, evaluate the Company's risk management and internal control system on a regular basis and report to Audit Committee as well as Company management to ensure:

- Accuracy and reliability of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of Company assets
- Compliance with laws, regulations, and contracts

### 5.5. Strategic Objectives of the Company

Within the scope of the annual Strategic Business Plans, targets and key performance indicators are established parallel to our Company's vision and mission. These targets and key performance indicators are approved by the Board of Directors during the budget meetings held at the end of the previous year. The Board reviews operating results in comparison with previous year performances and targeted indicators in its ordinary meetings.

### 5.6. Financial Benefits

At the Ordinary General Assembly dated April 10, 2017 it is resolved that a net annual remuneration of TL 96,000 to each of the independent BOD members, for their duties as independent members, to be paid on a monthly basis, for the period 01.04.2017 - 31.03.2018.

There is no other compensation or interest provided to the Board. The determination of financial rights and benefits to which Board Members are entitled to is not based upon the performance of Board Members. All Board Members and Managers are covered by the Directors & Officers Liability insurance.

The existing Directors & Officers Liability insurance of Our Company's Board of Directors and All Managers against damages that may be caused due to the faults of the members of the during the execution of their duties and the total annual

## **Coca-Cola İecek A.Ş. Corporate Governance Principles Compliance Report**

---

responsibility limit of the Directors & Officers Liability insurance (the coverage level) exceeds 25% of the Company's capital as stated in the Article no 4.2.8 of the Corporate Governance Principles dated 3 January 2014.

CCI has neither given any loan nor credit to any Board Member, nor served any personal loan to any beneficiary through any third party and has not served any security or guarantee such as indemnity to the interest of any third party.

According to Article no 4.6.2 of the Corporate Governance Principles, the remuneration principles of the Board members and managers having administrative responsibility should be in written form and the shareholders should be enabled to give their opinion after submitting these written remuneration principles to their reviews with a separate article in the General Assembly. The remuneration policy which was prepared to identify the remuneration system and practices applicable to and the other rights and benefits to the board members and top management, is published on our web site.

In accordance with the Article 4.6.5 of the Corporate Governance Principles, the remunerations and all other benefits provided to Board members and top management are made public through our annual report. However, the declaration is not made separately for each member, but a cumulative number is given for all board members and senior management separately.

## Attachment 1

### **EVALUATION OF THE BOARD OF DIRECTORS REGARDING THE WORKING PRINCIPLES AND EFFICIENCY OF THE COMMITTEES FORMED WITHIN THE BOARD**

After the selection of Chairman and members made in accordance with the Corporate Governance Principles, with the Board resolution dated May 3, 2017, it has been decided to:

- Appoint independent Board member Mr. Mehmet Mete Bařol as the Chairman of the Audit Committee and Mr. Hamit Sedat Eratalar as member of the Audit Committee,
- Appoint independent Board member, Mr. İzzet Karaca as the Chairman of the Corporate Governance Committee and Board member Mr. Mehmet Hurřit Zor, independent Board member Mehmet Mete Bařol, Mr. Recep Yılmaz Argüden and Mr. Deniz Can Yücel as members of the Corporate Governance Committee, (as of November 14, 2017, Mrs. Yeřim Tohma has been appointed for the place vacated by the resignation of Mr. Deniz Can Yücel.)
- Appoint Independent Board member Mr. Ahmet Cemal Dördüncü as the Chairman; and independent Board member Mr. İzzet Karaca as the member of the Risk Detection Committee.

Charters regarding functions and working principles of the three aforementioned Committees were revised in accordance with the new Corporate Governance Principles were approved on April 30, 2014 and were made available to the public on our corporate website.

In 2017, all committees constituted within the Board of Directors have performed their functions as required in Corporate Governance Principles and their own Charters, and performed efficiently.

In compliance with the required manner to ensure the efficiency of their functions, their Charters and annual meeting schedules;

- The Audit Committee met four times on February 17, 2017, May 29, 2017, September 19, 2017 and December 8, 2017,
- The Corporate Governance Committee met five times on February 21, 2017, May 30, 2017, July 25, 2017, September 26, 2017 and December 19, 2017,
- The Risk Detection Committee met three times on May 30, 2017, July 20, 2017 and December 8, 2017

and submitted reports to the Board, consisting of information pertaining to their work and results of the meetings held during the year. The Risk Detection Committee submitted reports to the Board six times in 2017 with bi-monthly reports, including information about their activities.



According to this,

- The Audit Committee that is responsible for taking all necessary measures in order to ensure that internal and external audits are carried out adequately and transparently, as well as efficient performance of the internal control system; has submitted all of its suggestions on areas it is responsible for including its opinion and suggestions on the internal audit and internal control system.
- The Corporate Governance Committee, that has been established to follow the company's compliance to the Corporate Governance Principles, develop improvement processes in this area and submit suggestions to the Board, has determined whether or not the Corporate Governance Principles were applied in the company, and if not, the reason for any digression, and also determined the conflicts of interests, if any, that have occurred due to not complying with these principles totally and advised the Board on ways that will improve the corporate governance practices. The committee also monitored the works of the Investor Relations Department.
- The Risk Detection Committee, that has worked on early determination of risks that will endanger the existence, development and sustainability of the company, has worked on the application of due precautions regarding the determined risks and has worked for the aim to manage the risks, scrutinized the systems of risk management of the company in accordance with the Corporate Governance Principles and Charter of the Risk Detection Committee.