REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Statement of Compliance with Corporate Governance Principles

The Company, which aims at introducing and representing Turkey and Turkish aviation industry on international basis and in the best possible manner, and which has adopted the transparency, fairness, responsibility and accountability as a principle, complies with any and all mandatory principles, prescribed under the Corporate Governance Principles attached to the Capital Markets Board (CMB) Communiqué n.II-17.1 on Corporate Governance, and pays utmost attention to comply with the non-mandatory principles thereof. Sections 4.2.5, 4.2.8, 4.3.9, 4.5.1 and 4.5.5 are non-mandatory Corporate Governance Principles, which are not applied by the Company, and the reasons thereof are specified in the relevant parts of the report.

The Company keeps carrying out any activities for continuous development of Corporate Governance approach and for enhancement of the level of compliance with the Corporate Governance Principles. In 2015, Sustainability Reporting was carried out for the first time within the organization of the Company, and any improvable matters with respect to all stakeholders were identified during such process. Accordingly, any and all Company policies, systems, procedures and documents such as "Code of Conduct Manual", which are included in the subjects of Corporate Governance, have been reviewed, and any actions for revision thereof have been started to be taken for such purpose.

PART I – SHAREHOLDERS

2. Investor Relations Department

There is an Investor Relations Management directly reporting to Coşkun Kılıç, Chief Financial Officer, which has been established in order to operate with respect to informing any domestic and foreign investors in a correctly and consistent manner and on time, and ensuring the communication and information exchange between the Board of Directors and the regulators and participants of the capital markets, and observing the compliance with the regulations and Articles of Association with respect to exercise of shareholding rights, and also fulfilling the obligations for disclosure in compliance with any and all kinds of regulations, within the organization of Turkish Airlines.

In 2015, Investor Relations Management participated in 17 investor conferences and roadshows in order to share any financial, operational and strategical developments in relation to the Company with investors and analysts, and performed more than 20 teleconferences and also held one Investor Day Webcast meeting. Also, many roadshows have been organized for the purpose of introducing the Company to the investors, investing in fixed income securities, before issuance of debt instrument for aircraft financing performed by the Company in March 2015, and participation in bond/loan investor conferences was ensured for such purpose. During such conferences and teleconferences, it was convened with the 435 investors/analysts from 270 corporates and funds, at the head office of the Company and at the offices of the investors. Approximately 2.000 applications were received by the Company by e-mail within the accounting period 2015 for the purpose of obtaining information. Besides the applications received by e-mail, many investors and shareholders were also informed by means of the telephone. The Management submitted the report for the activities it conducted in 2015 to the Board of Directors of the Company on 26.02.2016 for information purposes.

Contact info of the Investor Relations Management staff is provided below:

Duygu Inceoz
Investor Relations Manager
Licenses:
↗ Capital Market Activities Advanced Level License
↗ Corporate Governance Rating Specialists License
Telephone: +90 212 463 6363 Ext: 13630
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3. Exercise of the Right to Information by the Shareholders

Investor Relations Department of the Company replies any requests for information and any questions, delivered thereto by the shareholders and any other stakeholders by means of different communication channels, by using the most efficient means of communication as soon as possible. On the other hand, there is Investor Relations web page (investor.turkishairlines.com), which is accessible through the corporate web site of the Company in order for ensuring the efficient exercise of rights of shareholders to obtain information; and any investors and any other stakeholders may access any public financial and operational data, material disclosures and any and all announcements for exercise of the shareholding rights through such web site. Also, any persons/organizations, signing up the distribution list through the web site, may be informed about any up-to-date operational and financial disclosures by e-mail.

No regulation on request for assignment of specific auditor is available under the Articles of Association; however, no specific audit was requested in 2015.

4. Shareholders' General Assembly Meetings

Any regulations on Shareholders' General Assembly Meetings of the Company, are specified under the Articles of Association publicly available on the website of Investor Relations of the Company.
Shareholders' Ordinary General Assembly Meeting, during which accounting and activities of 2014 were discussed, was held on 06.04.2015 at VIP Meeting Room at the General Management Building situated at Atatürk Havalimanı Yeşilköy-Bakırköy/İstanbul, the principal office address of the Company. The shareholders, representing TRY 1,068,909,942,545 (77.5%) of TRY 1,380,000,000 of the issued capital of the Company, attended the Shareholders' Ordinary General Assembly Meeting, and any other stakeholders and press were not present at the meeting. The General Assembly Meeting was held physically and electronically in accordance with Turkish Commercial Code Nr. 6102 and the regulations of the CMB (Capital Markets Board).

The announcement and invitation for the Shareholders' Ordinary General Assembly Meeting was published on the Electronic General Assembly System and Public Disclosure Platform, which are available within the organization of the Merkezi Kayıt Kuruluşu (Central Registration Agency) as well as on the website of the investor relations 45 days before the date of meeting along with the notifications and disclosures required to be performed by the Company in accordance with the relevant regulations. Financial statements, consolidated financial statements, annual report of the board of directors, audit reports and profit distribution proposals by the board of directors were uploaded on the website of the Company before the date of General Assembly Meeting in compliance with the periods specified under the regulations in accordance with the Section 397 of the TCC, and were submitted to the examination of the shareholders at the principal office and branches of the Company.

It was ensured that Members of the Board of Directors, any other concerned persons, any authorized persons responsible for preparation of the financial statements and auditors were present at the Shareholders' General Assembly Meeting in order to provide required information and reply the questions in relation to the any specific matters in the agenda.

Any items on the agenda were submitted objectively and in detail through a clear and understandable method during the Shareholders' General Assembly Meeting of the Company, and shareholders were provided with opportunity to convey their opinions and to ask any questions under equal circumstances.

The practice for replying the questions of the shareholders verbally and for replying the exhaustive questions thereof in writing was available during the Shareholders' General Assembly Meeting; however, no question required to be replied in writing was asked in such meeting. Any questions, asked by the shareholders in relation to the recognition transactions, short and long term receivables, financial

risk management, the time of reflection of the positive effect of the drop in the oil prices to the Company, budget revision, the reason of non-performance of bonus share distribution and aircraft leased on short-term basis, were replied verbally. No agenda suggestion was submitted by the shareholders during the Shareholders' General Assembly Meeting.

The minutes of the Shareholders' General Assembly Meeting and the list of attendants are disclosed on such day through the Public Disclosure Platform, and submitted to the shareholders on the website of the Investor Relations of the Company and on the Electronic Shareholders' General Assembly System for information purposes. The minutes of the Shareholders' General Assembly Meeting of the previous years and any other documents are available on the website of the Investor Relations of the Company. The minutes, dated 06.04.2015, of the Shareholders' General Assembly Meeting was promulgated in Trade Registry Gazette of Turkey (TRGT) dated 17.04.2015 and numbered 8803.

Since there was no process, where favorable vote of the majority of the Members of the Board of Directors was sought for adoption of a resolution in the Meeting of the Board of Directors, and where the Shareholders' General Assembly is consulted to adopt a resolution due to the dissenting votes of the Members, such an agenda item was not available in the Shareholders' General Assembly Meeting.

Information about the charitable donations incurred within the period in accordance with the Donation Policy adopted by the Shareholders' General Assembly is provided through a separate agenda item during the Shareholders' General Assembly Meeting. Total amount of donation performed for Turkish Airlines Sports Club of the Company in 2014 was TRY 145,776, and no other donation than such amount was available. Donation Policy of the Company is submitted to the shareholders on the website of the Investor Relations of the Company for information purposes.

5. Voting Rights and Minority Rights

Voting Rights are regulated under the Section 31 of the Articles of Association as follows:

"Provided that the provisions of subparagraph 6/d of these Articles of Association are reserved, each shareholders or their proxies present at the Shareholders' General Assembly Meetings, either ordinary or extraordinary, shall be entitled to one vote for each share."

In accordance with subparagraph 5 of section 14 of the Articles of Association;

Any resolutions to be adopted by the Shareholders' General Assembly with respect to the following matters shall be valid as long as the member, representing the group C shares, of the Board of Directors attend the meeting and cast favorable vote.

↗ Adoption of resolutions affecting the mission of the Company, specified under Section 3.1. of the Articles of Association, on negative basis;
↗ Submission of a suggestion to the Shareholders' General Assembly for amendment to the Articles of Association;
↗ Increase of the capital;
↗ Approval of the transfer of the registered shares, and entry of such transfer process on the share ledger;
↗ Performance of any and all kinds of transactions, which exceed 5% of the total assets available in the last annual balance sheet, submitted to the Capital Markets Board by the Company on the basis of each agreement, and which concern the Company either directly or indirectly; and adoption of any and all kinds of resolutions, which will make the Company committed (i.e. if the share of the public share available in the capital of the Company decreases below 20%, this subparagraph shall become automatically void);
↗ Merger of the Company with any other companies, and dissolution or liquidation thereof;
↗ Adoption of resolutions for removal of any flight line or prominent decrease of the number of flights, within the exclusive market conditions or excluding the lines failing to meet even operation expenses by means of any other sources.

The privileges for the group C shares may be restricted only by the Supreme Board of Privatization or any other public institution, which will take over the duties of such Board.

The Company pays utmost attention to ensure the exercise of minority rights. In accordance with Section 10 of the Articles of Association, any shareholders holding the public group A shares may only be nominated to the Board of Directors provided that they are represented at the rate of minimum 2% of

the total issued capital in the Shareholders' General Assembly meeting during which the Members of Board of Directors are elected.

The shareholders delivered no request for representation of minority in the management during the Shareholders' Ordinary General Assembly meeting held in 2015, where the accounting and activities for 2014 were discussed. Also, there is no company, with which no relationship based on mutual interests is available, and cumulative voting method is not specified under the Articles of Association.

6. Right of Dividend

The principles for determination and distribution of the distributable profit within the organization of the Company is regulated in Section 36 of the Articles of Association. There are no preferential status granted in respect of participation to the profit.

The time and method of payment of the profit shall be determined by the Shareholders' General Assembly by taking into account the communiqués of the Capital Markets Board. Accordingly, profit distribution policy of the Company has been determined by taking into account the strategical targets, growth trend and financial need of the Company as well as the expectations of the shareholders in accordance with the Turkish Commercial Code, the Capital Market Law, the relevant legal regulations and the provisions prescribed under the Articles of Associations, and such policy is available in the website of the Investor Relations of the Company and in the annual report of the Board of Directors. Profit distribution policy includes any minimum details in such an explicit manner that will enable the shareholders to estimate the procedures and principles for distribution of the profit to be obtained by the Company in the future periods, and is based on the adoption of a balanced policy between the interests of the shareholders and the Company.

TRY 1,819,259,536.- has been obtained as the net profit for the year/profit based on the consolidated financial statements for the accounting year of 2014, which are prepared in accordance with the Turkish Financial Reporting Standards ("TFRS"), and the net profit for the year/profit has been TRY 818,203,579.- in the legal records (the records kept in accordance with the Tax Procedure Law). Accordingly; it has been resolved, in the Shareholders' General Assembly meeting held on 06.04.2015, that, since the losses, amounting to TRY 205,450,351.- remaining as a consequence of deduction of net profit of TRY 818,203,579 for the year/period, which is available in the legal records, from the losses of the previous years, amounting to TRY 1,023,653,930.-, cannot be subject of the profit distribution in the legal records, the net profit of TRY 1,819,259.,536.- for the year/period, which has been obtained based on the financial statements prepared in compliance with the TFRS, shall be transferred to the profit of the previous years, which has been obtained based on the financial statements prepared in compliance with the TFRS, and that no profit distribution to the shareholders of the Company shall be performed for the year of 2014.

7. Transfer of Shares

Any shares, held by the foreign shareholders, shall not be excess the 40% of the total issued capital of the Company in accordance with Section 6 "Nature of Shareholding" of the Articles of Association of the Company. In respect of the calculation of the shares, held by the foreign shareholders, the rate of foreignness within the shareholder, holding the non-public group A shares, shall also be taken into account.

In accordance with Section 7 of the Articles of Association with respect to the transfer of shares; the process of the transfer of shares shall be subject to the provisions prescribed under the Turkish Commercial Code, the Capital Markets Regulations and the Civil Aviation Regulations, and no provision, which would inconvenience and complicate the free transfer of shares by the shareholders, under the Articles of Association.

The nature of shareholding and any matters for transfer of shares are specified in the relevant sections of the Articles of Association, along with the implementation principles and reasons thereof, and they are accessible through the website of the Investor Relations of the Company.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Disclosure Policy has been established by the Board of Directors of the Company for the purpose of determination of the general principles and procedures for any information to be shared with the shareholders, investors, other participants of the capital markets and any other relevant stakeholders, and for the method, frequency and means to be used while sharing such information, as well as for any disclosures to the public, in accordance with the Material Events Communiqué by the Capital Markets Board (CMB), the Corporate Governance Communiqué, the relevant provisions prescribed under the Turkish Commercial Code (TCC) and the regulations of Borsa Istanbul (BIST).

In respect of implementation of the disclosure policy, it is essential to inform any and all stakeholders, consisting of the shareholders, investors, employees and customers, about any information, events and developments, which may affect the investment decisions of the investors, on equal grounds in a timely, accurate, complete, understandable and readily manner so as to be accessible at the lowest costs.

Accordingly, 64 Material Disclosures were performed by the Company in 2015, and no request for additional disclosures for such Material Disclosures have been submitted by CMB and BIST. The Company has paid attention to deliver any material disclosures to the investors, savers, institutions and organizations in a simultaneous, timely, understandable, accurate, interpretable, full manner.

The power and the responsibility for monitoring, supervision and improvement of the disclosure policy of the Company shall be enjoyed and assumed by the Board of Directors. Any and all changes in the disclosure policy shall come into effect upon the approval of the Board of Directors, and shall be published on the website of the Company.

9. Corporate Website and Its Contents

The website of the Company is www.turkishairlines.com, and the website of the Investor Relations, which is also accessible through the corporate website, is investor.turkishairlines.com; and English versions of both websites are available. Any information available on the corporate website of the Company and on the website of the investor relations thereof is identical to and/or consistent with the disclosures performed in accordance with the provisions specified under the relevant regulations, and contains no contradictory or incomplete information.

The website of the Investor Relations contains current Company/Shareholding structure, last version of the Articles of Association of the Company along with the Trade Registry Gazette of Turkey (TRGT), on which any changes are promulgated, agenda for the Shareholders' General Assembly Meetings, the form for voting by proxy, lists of attendants, additional/supplementary information and meeting minutes, annual reports, financial statements, business data, Company presentations, Corporate Governance Principles Compliance Reports, information about the Board of Directors and committees, Material Disclosures, Code of Ethics, Policies (Profit Distribution Policy, Disclosure Policy, Remuneration Policy, Donation Policy), details for the associated parties, share details, analyst details, Trade Registry details, contact details and frequently asked questions, in a manner to include any matters specified under Corporate Governance Principles.

Any information available on the website of the Investor Relations are also prepared in English language in a manner to be completely identical to the information in Turkish language for the purpose of enabling any international investors to benefit from such information. Investors may deliver any and all kinds of opinions and suggestions to the Investor Relations Management by means of the relevant form available under the heading of Opinions and Suggestions on the website of the Investor Relations of Turkish Airlines. Such investors are redirected to the e-mail address "ir@thy.com" in order to deliver any and all kinds of questions under the heading of Investors Contact. In addition, any persons/organizations, signing up the distribution list through the website, may be informed about any up-to-date operational and financial disclosures by e-mail.

The content, which is required to be available on the website in a dedicated manner pursuant to the "Regulation on Websites To Be Established by the Equity Companies", dated 31.05.2013, of the Ministry of Customs and Trade, is accessible through the link "Information Society Services" available on the homepage of the website of the Company.

10. Annual Report

The annual report of the Company is prepared in a manner to enable the public access to complete and accurate information about the activities of the Company, and contains any and all information specified listed under the relevant regulations and Corporate Governance Principles.

PART III- STAKEHOLDERS

11. Disclosure to Stakeholders

In addition to those prescribed under the statutory regulations and to the material disclosures, any other information and disclosures in relation to the Company, which are considered to concern any other stakeholders, are also disclosed in a timely and explanatory manner through the most appropriate means of communication. Shareholders and participants of capital markets as well as suppliers, financial institutions and all of the other stakeholders are informed continuously through the press releases, annual reports, sustainability reports, website and any applications available under the Disclosure Policy of the Company. Any announcements are performed through the internal regulations in order for informing the employees about the general practices and activities of the Company, and the intranet site of the Company is used on active basis, and also "Empathy", the internal periodical, is published on monthly basis. Means of communication of the Company have been established in a manner to be accessible by any and all kinds of stakeholders, and the contact details have also been published on the website of the Company.

Stakeholder may contact with the Corporate Governance Committee or Audit Committee through the agency of the Investor Relations Management or by means of e-mail, mail, etc. directly at any time. In case of conflicts of interest between the stakeholders, or in case of inclusion of one stakeholder in more than one interest group, a balanced policy is adopted with respect to protection of the rights possessed, as much as possible, and it is aimed at protecting each right independently.

12. Stakeholders' Participation to Management

Management meetings, in which domestic and international managers and senior executives of the Company participate, are held within the organization of the Company on regular basis every year in addition to the meetings, in which suppliers, domestic and international sales agencies, sales organization of the Company and personnel, holding various positions, participate regularly, and an exchange of opinions in relation to the workshops and panels is achieved during such meetings.

Also, suggestion system is applied within the organization of the Company, and the employees submit their suggestions for improvement and development with respect to any and all matters in relation to the Company through such system, and any suggestions deemed appropriate are applied. Moreover, the Company pays attention to opinions and suggestions of all stakeholders as well as the surveys for customer satisfaction.

Further details in relation to stakeholder groups, interaction subjects, interaction channels and interaction frequency of the Company are given below.

REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

	Stakeholder Groups	**Key Interaction Topics**	**Main Interaction Channels**	**Frequency**
INTERNAL	Shareholders Financial Partners Investors	Minority Rights Operational and Financial Performance Strategy Corporate Governance	E-mail distribution list, “ir@thy.com”	Continuous
			Dedicated "Investor Relations(ir)" website	Continuous
			Shareholders' General Assembly Meeting	Annual
			Investors Meetings	Annual
			Presentations, Reports, Publications	Quarterly
	Labor Unions	Business Ethics Cultural Values Employee Satisfaction Organization and Freedom of association and Right of Collective Bargaining Flight Safety and Security Occupational Health and Safety and Well-Being Anti-Discrimination and Diversity Performance and Career Development Sustainable Use of Resources	Ethical Way	Annual
			E-mails: flightsafety@thy.com; security@thy.com	Continuous
			"Emphaty" Corporate TV	Continuous
			“Empathy” Personnel Bulletin	Monthly
			“Empathy” Website "I Have An Idea" Page	Continuous
			Meetings & Events & Forums & Summits	Annual
			Surveys	Annual
EXTERNAL	Governmental Regulatory Authorities Local Authorities	Social and Economic Development Customer Rights Compliance Financial Performance Flight Safety and Security Forestation Occupational Health and Safety Noise Waste Management	Audits	Regularly
			Audits	Regularly
			Meetings	Ad-hoc meetings
	Certification Organizations	Environmental Management Flight Safety and Security Occupational Health and Safety Noise Quality Management	Audits	Regularly

	Customers	Accessibility Customer Satisfaction and Service Quality Customer Rights and Flight Safety and Security Innovative Products and Services Sustainable Catering	Customer Relations Call Center	Continuous
			Web-Based / In-flight Feedback Form	Continuous
			Customer Satisfaction Measurement Tools at Airports	Continuous
			Online Customer Satisfaction Surveys	Annual
			In-Flight Safety Brochures and Videos	Continuous
			In-Flight "Skylife" Magazine	Monthly
			Social Media (Facebook, Twitter, blog)	Continuous
			Corporate Website	Continuous
	Society	Social and Economic Development Social Responsibility Projects	Meetings with Associations and Charity Organizations School and Hospital Visits	Ad-hoc meetings
	Non-Governmental Organizations	Corporate Social Responsibility Projects Accessibility	Corporate Social Responsibility (CSR) Fair and Events	Ad-hoc meetings
	Academic Institutions Universities	Training Employment and Career Opportunities	Meetings	Regularly
			Career Days	Annual
			Social Media (LinkedIn)	Continuous

13. Human Resources Policy

The Company has Human Resources Procedure, which have been drawn up by the Board of Directors, and any and all kinds of actions for the sub-departments, reorganized based on the processes, and for any and all personnel are carried out in accordance with the regulations.

The principle for equal opportunities for the persons with equal conditions is adopted during the employment and career planning processes. The procedures and principles for the personnel employment processes of the Company are defined under the General Employment Procedure of the Company and in the employment process charts. The processes vary basing on the working groups as cockpit personnel, cabin personnel, internal personnel and external personnel. The procedure include information about the departments having responsibilities at each stage, announcement criteria, process flows and management of personnel records. The procedures and principles of the Performance Assessment System, applicable within the organization of the Company, and performance assessment criteria are defined under the Performance Management System Manual of the Company, and are accessible to any and all of the employees through the intranet page of the Company. Any initiatives to develop and extend Performance Management system are now ongoing.

Relations with the employees are performed through the agency of the Personnel Relations Supervisor's Office. Personnel Relations Supervisor's Office is responsible for maintaining the relations with the employees, and ensuring the resolution of the questions and issues, and performing the announcements concerning any and all employees. Any questions and complaints, delivered to the Supervisor's Office by means of various methods, are resolved in coordination with the relevant departments. Any measures are taken in order not to discriminate based on race, religion, nationality and gender, and in order to protect the employees against the any physically, mentally and emotionally abusive treatments. In 2015, 12 notifications were received from the employees of the Company through the Ethical Way, which is the application authority. Such notifications includes the matters such as problems between the employees, problems between the employees and executives, and criticism for general practices of the corporate. There Apart from the foregoing, there is no application delivered with respect to the discrimination, conflict of interest, etc. Job descriptions of the personnel of the Company are published on the intranet page of Turkish Airlines on up-to-date basis. Any and all employees may access to the job descriptions through the intranet page of Turkish Airlines.

On the other hand, most of the personnel of the Company is the member of the labor union. Relations between the employees and employer, at each level, with respect to the Collective Bargaining Agreement and any and all matters concerning the personnel, are conducted through the agency of the representatives, assigned by the labor union, and of the executives of the labor union, in the most efficient manner and in a manner to obtain a result. It is acted fairly with respect to any and all benefits provided to the employees, and training programs are performed in order to increase the level of knowledge, skills and good manners of the employees.
Safe working environment and conditions are established for the employees both at home and abroad.

14. Code of Ethics and Social Responsibility

The Company, maintaining its activities in compliance with its identity as the flag carrier, complies with paying utmost attention and care to act sensitively against its social responsibilities while carrying out its activities, and guides and supports its subsidiaries accordingly. Code of Conduct Manual of the Company has been drawn up by the Board of Directors in accordance with the Corporate Governance Principles, and published on the website of the Company.

Codes of conduct of the Company covers fundamental principles and values as well as such various matters as compliance with the regulations, anti-bribery and anti-corruption, anti-competitive act, etc. The employees learn the Codes of Conduct while starting to serve within the organization of the Company, and are informed about the Corporate Codes of Conduct Manual of the Company and Corporate Ethical Procedures thereof. Thus, it is ensured that the employees act respectfully against the laws, ethical values, social norms and environment in terms of their words and behaviors in line with the generally-recognized principles in the business life.

In addition, the Ethical Way, which is an Ethical Notification Line established within the organization of the Company, is a notification system established for the purpose of ensuring that any and all kinds of behaviors, which is contrary to the corporate principles with respect to the discrimination, bribery, conflict of interest and anti-competitive practices, are reported by the employees of Turkish Airlines on anonymous basis. The Ethical Way, management process of which is assumed by any fully independent third party

company, is a line specific to the questions and/or reporting of the employees of Turkish Airlines with respect to ethical matters. Ethics Committee, consisting of four members and one chairman, which is in charge of assessment of such applications within the organization of the Company, pays attention to each personnel in relation to the application delivered to the Ethical Way, and receives the opinions of the relevant department, and submits its determinations and suggestions to the CEO and President in line with the results obtained.

The Company maintains its domestic and international activities by taking into account its both climatic and environmental and social responsibilities. There is no legal action filed against the Company due to any damages to the environment. Sustainability Report, containing any and all activities performed by the Company with respect to its relevant responsibilities, is accessible through the website of the Investor Relations.

The Company, as the main sponsor of the championship "Euroleague Basketball", which is the biggest basketball organization of Europe, was supported by the basketball teams through the project “One Team”, and continued to initiate many social projects for the physically and mentally disabled persons during 2015. Different workshops were organized in Africa, Europe and Asia under the project "One Team", and any communities, being in need of special support, were accessed, and the participation of such communities in the social events through the basketball organizations. The assistance was provided to the needy-indigent persons, available at home and abroad, through the Committee for Sick and Disabled Persons, Committee for Orphans, Committee for Emergencies and Committee for Poor Persons, all of which were established within the organization of the Company, under the program for voluntariness of employees “Widen Your Heart”. Any other activities of the Company in relation to the social responsibility are accessible by means of Turkish Airlines Sustainability Reports through the website of Investor Relations.

Any and all kinds of actions are taken in order to ensure the customer satisfaction with respect to marketing and selling the services of the Company, and any requests of the customers for the service they have purchased are satisfied rapidly. The Company complies with the quality standards with respect to the services it provides, and pays attention to maintain the standard. Attention is paid for the confidentiality of any details in relation to the customers and suppliers based on the trade secrets.

PART IV - BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

With the strategic decisions it will take, our Board of Directors administers and represents the Company by optimizing risk, growth and yield balance, and oversees the long term interests of the Company with a rational and proactive risk management approach. Our Board of Directors sets the strategic targets of the Company, determines the required work force and financial resources, and oversees the performance of the management team.

The Board of Directors is comprised of nine members elected by the Shareholders' General Assembly. As a mandatory rule, at least eight out of nine members of the Board are nominated among Class A shareholders and one among Class C shareholders and nominees receiving the most vote are elected for each share class. Minimum six members of the Board, including the Class C director, must be Turkish citizens. The term of office for Board Members is 2 (two) years, according to Article 10 of our Articles of Association. The General Assembly may discharge any member of the Board before expiry of their term of office. Members whose term of office has expired are immediately eligible for re-election.

Three members of the Board of Directors are appointed to serve as Executive Committee members, while the other six are non-executive members. Three of these non-executive members hold office as Independent Members of the Board as defined under CMB regulations on Corporate Governance. Due to the dynamic nature of the aviation industry, it would be more favorable for uniformity if the roles of the Chairman of the Board of Directors and the Executive Committee are held by the same person. Therefore, at our Company offices of Chairman of the Board of Directors and the Executive Committee are held the same person, and the CEO is not the Chairman of the Board of Directors. Since all strategic and managerial decisions are taken by the Executive Committee based on majority rule, no individual member has unlimited decision-making power at the Company.

While our Company did not have a specific target regarding the ratio of female members of the Board, a female member has been appointed to our Board of Directors as of 2015.

Significant changes made in the structure of our Board of Directors in 2015 are listed below.

- Mr. Naci Ağbal resigned his office as a Member of the Board of Directors of the Company as of 10.02.2015.

- Application filed with the Capital Markets Board regarding nomination of Ms. Arzu Akalın and Mr. İlker Aycı as Independent Members of the Board upon the Resolution of the Board of Directors dated 20.02.2015 was approved by CMB with an official letter dated 02.03.2015.

- Application filed with the Capital Markets Board regarding nomination of Mr. İsmail Cenk Dilberoğlu as an Independent Member of the Board upon the Resolution of the Board of Directors dated 16.03.2015 was approved by CMB with an official letter dated 20.03.2015.

- Application filed with the Capital Markets Board regarding nomination of Mr. Ogün Şanlıer as an Independent Member of the Board upon the Resolution of the Board of Directors dated 20.03.2015 was approved by CMB with an official letter dated 03.04.2015.

- As a result of the election held at Turkish Airlines Shareholders' Ordinary General Assembly meeting dated 06.04.2015, it was resolved by majority of votes that Mr. Mehmet İlker Aycı be elected the Chairman of the Board of Directors representing group C shares; Associate Professor Mr. Temel Kotil as the Deputy Chairman of the Board of Directors, Mr. Mecit Eş, Mr. Mehmet Büyükekşi, Mr. İsmail Gerçek and Mr. Ogün Şanlıer as Members of the Board of Directors; and Ms. Arzu Akalın, Mr. İsmail Cenk Dilberoğlu and Mr. Muzaffer Akpınar as Independent Members of the Board of Directors.

- Based on the resolution adopted by the Board of Directors on 07.04.2015, i) Mr. Mehmet Muzaffer Akpınar, Independent Member of the Board of Directors, was appointed as the Chairman of the Audit Committee; and Mr. İsmail Cenk Dilberoğlu, Independent Member of the Board of Directors, was appointed as a Member of the Committee; ii) Ms. Arzu Akalın, Independent Member of the Board of Directors, was appointed as the Chairperson of the Corporate Governance Committee, and Mr. Mehmet Büyükekşi and Mr. İsmail Gerçek, both members of the Board of Directors, and –as per the Capital Markets Board Communique no. II-17.1 on Corporate Governance– Ms. Duygu İnceöz, Investor Relations Manager, were appointed as a Member of the Committee; and iii) Mr. İsmail Cenk Dilberoğlu, Independent Member of the Board of Directors, was appointed as the Chairman of the Early Identification of Risks Committee, and Mr. Mehmet Muzaffer Akpınar, Member of the Board of Directors was appointed as a Member of the Committee.

- It was resolved on 08.12.2015 that Mr. İsmail Cenk Dilberoğlu , member of the Board of Directors, be appointed to succeed Mr. İsmail Gerçek as a Member of the Executive Committee of the Company. Also, it was resolved that since İsmail Cenk Dilberoğlu was appointed as a Member of the Executive Committee, Mr. Ogün Şanlıer be appointed to hold office as an Independent Member of Board of Directors until it was submitted for approval by shareholders at the next General Assembly meeting; and also that he be appointed as the Chairman of the Early Identification of Risks Committee and as a Member of the Audit Committee.

Information regarding the Members of the Board of Directors as of 31.12.2015 is given below. Majority of the Members of the Board of Directors are non-executive members as per the Corporate Governance Principles of the CMB.

Name	Position	Start of Office	Status	Other Committee Roles
M. İlker Aycı	Chairman of the Board of Directors	04.04.2014	Non-Independent	Executive Committee /Chairman
Assoc. Prof. Temel Kotil	CEO, Vice Chairman of the Board of Directors and the Executive Committee	26.04.2005	Non-Independent	Executive Committee / Deputy Chairman
İsmail Cenk Dilberoğlu	Member of the Board	06.04.2015	Non-Independent	Executive Committee / Member
İsmail Gerçek	Member of the Board	08.04.2011	Non-Independent	Corporate Governance Committee / Member
Prof. Dr. Mecit Eş	Deputy Chairman of the Board of Directors	29.03.2013	Non-Independent	
Mehmet Büyükekşi	Member of the Board	03.03.2004	Non-Independent	Corporate Governance Committee / Member
Ogün Şanlıer	Member of the Board	06.04.2015	Independent	Audit Committee / Member, Early Identification of Risks Committee / Chairman
M. Muzaffer Akpınar	Member of the Board	24.04.2007	Independent	Audit Committee / Chairman, Early Identification of Risks Committee / Member
Arzu Akalın	Member of the Board	04.04.2014	Independent	Corporate Governance Committee / Chairperson

Information regarding the executives who held office as a Member of the Board of Directors in 2015 and are no longer in office as of 31.12.2015.

Name	Position	Start of Office	End of Office	Term of Office	Status	Most Recent Position at the Company
Hamdi Topçu	Chairman of the Board of Directors	01.01.2010	06.04.2015	5 years 4 months	Non-Independent	Executive Committee / Chairman
Naci Ağbal	Member of the Board	10.10.2012	10.02.2015	2 years 4 months	Non-Independent	Early Identification of Risks Committee / Member

Résumés of the Members of the Board of Directors and other roles they assume outside the Company are available under the section "Board of Directors" of the Annual Report and under the section "Corporate Governance" on our Investor Relations website. Statements of Independence by the Independent Members of the Board were submitted to the Public Disclosure Platform as an Appendix to the Annual Report. No circumstances that would impair the independence of such members occurred during the accounting period.

16. Principles of Operation of the Board of Directors

Operations of the Board of Directors of the Company are regulated under Section 14 of the Articles of Association;

The Board of Directors of the Company convenes whenever the activities of the Company may require, and at least once a month in any case. Venue of the meeting is the principal office of the Company. The Board of Directors may resolve to convene at any other location. Any activities, to be discussed during the meeting, is required to have been determined as an agenda item, and the members of the board are required to be informed about the agenda prior to the date of meeting. The Chairman of the Board of the Directors negotiates with the other Members of the Board of Directors and the CEO and President, and determines the agenda of the Meetings of the Board of Directors.

The Members pay utmost attention to attend each meeting and to submit opinions during the meetings. Call for the meetings of the Board of Directors, and any information and documents in relation to the agenda items are submitted to the members at least three days before the date of meeting for the purpose of ensuring the equal flow and distribution of information. Opinions of any members, who fail to attend the meetings, however, submit their opinion to the Board of Directors in writing, are submitted for the other members' information.

The Board of Directors convenes upon the attendance of at least six members. The Board of Directors adopts any resolutions upon the favorable vote of at least five members. Any member, who fails to attend four consecutive meetings or total six meetings within a period of one year without being deemed to be on leave by the Board of Directors or without basing on a valid and justified ground, is deemed to have resigned, accordingly.

Each member of the Board of Directors is entitled to one vote. Any matters to be valid provided that any Members, representing the group C shares, of the Board of Directors attend the meeting and cast favorable vote, are provided in "5. Voting Rights and Minority Rights" hereunder.

Agenda items are discussed explicitly and in every aspect during the meetings of the Board of Directors. Chairman of the Board of Directors makes his/her best efforts with respect to ensuring the efficient attendance of the non-executive members to the meetings of the Board of Directors. Any opposing Members of the Board of Directors ensures that the reason of their dissenting vote is inserted reasonably and in detail under the resolution.

Members of the Board of Directors allocate sufficient time for activities of the Company. In the event that any Member of the Board of Directors serve as an executive or a Member of the Board of Directors at any other company, or that s/he provides any other company with consultancy service, then such situation does not lead to conflict of interest, and does not hinder his/her duty within the organization of the Company. Therefore, the fact that Members of the Board of Directors carry out any duty or duties other than the Company is not subjected or limited to certain requirements.

In 2015, 51 Meetings of the Board of Directors were held and 251 resolutions were adopted. In respect of such meetings, there are no related party transactions or material transactions required to be submitted for the approval of the Shareholders' General Assembly due to the fact that they are not approved by the Independent Members of the Board of Directors.

Board of Directors plays a leading role with respect to establishment of the effective communication between the Company and shareholders, and settlement and resolution of any possible disputes, and collaborates closely with the Corporate Governance Committee and Investors Relations Department for such purpose.

Executive Liability Insurance, covering any damages/losses requested from any executives due to any failure in fulfillment of their responsibilities by paying utmost attention and care as expected from them, and due to any error, neglect or failure during performance of their duties, has been maintained by the Company, and the amount of insurance coverage is 25 Million US Dollar.

17. Number, Organization and Independent Status of Committees of the Board of Directors

The following committees have been established within the organization of the Board of Directors in accordance with the TTC and CMB regulations in order to ensure that Board of Directors fulfills its duties and responsibilities healthily.

Also, Nomination Committee and Remuneration Committee were not established in 2015, and Corporate Governance Committee is adopted to carry out such duties, as well. Early Identification of Risks Committee was established in April 2014, and its duties and working principles were determined. The members of the Audit Committee, Corporate Governance Committee and Early Identification of Risks Committee were determined and disclosed by the Board of Directors. Fields of duty and working principles of such committees were also determined by the Board of Directors. Any and all kinds of sources and supports, required for performance of the duties by the committees, are provided by the Board of Directors.

CEO and President does not assume any duties at the committees within the organization of the Company. The attention is paid not to assign any Member of the Board of Directors at more than one committee; however, Mr. Ogün Şanlıer, one of the members of the Board of Directors, serves as both the Chairman of the Early Identification of Risks Committee and the Member of the Audit Committee, and Mr. Mehmet Muzaffer Akpinar, one of the members of the Board of Directors, serves as both the Member of the Early Identification of Risks Committee and the Chairman of the Audit Committee since the chairmen of the three committees, established within the organization of the Board of Directors, and the Members of the Audit Committee are required to be elected among the Independent Members of the Board of Directors.

Turkish Airlines
Corporate Governance Committee

Chairman: Arzu Akalın
Members: Mehmet Büyükekşi, İsmail Gerçek,
Duygu İnceöz (Investor Relations Manager)

Corporate Governance Committee directly reports to the Board of Directors, and supports and assists the Board by carrying out activities for compliance of Company with the internationally-recognized Corporate Governance Principles, and for determination of the Members of the Board of Directors and senior executives, and for assessment of remuneration, reward and performance, and career planning as well as for investor relations and disclosure. Corporate Governance Committee reviews and assesses the systems and processes to have been or to be established by the Company with respect to implementation of the managerial practices ensuring the increase of the performance of the Company, and submits its opinions in this respect, and also observes the activities of the Investor Relations Department.

The Corporate Governance Committee convened five times in 2015, and presented written reports to the Board of Directors.

Turkish Airlines
Audit Committee
Chairman: Mehmet Muzaffer Akpınar
Member: Ogün Şanlıer

The Audit Committee directly reports to the Board of Directors, and supports and assists the Board by ensuring compliance of Company practices with national and international laws and regulations, improvement of work processes through regular audits and coordination of actions to be taken for transparency.

The Audit Committee is responsible for taking all necessary action to ensure conduct of any internal and independent audits in a proper and transparent manner, and for performance of its duties under Capital Markets Regulations. Audit Committee members were elected among the Independent Members of the Board, and both members have five year experience in audit/accounting and finance. Committee convenes quarterly, before announcement of the financial results for the quarter. In 2015, the Audit Committee presented four written reports to the Board.

Turkish Airlines
Early Identification of Risks Committee
Chairman: Ogün Şanlıer
Members: Mehmet Muzaffer Akpınar

Early Identification of Risk Committee was formed and empowered by the Board of Directors in April 2014. The Committee consists of two members and the Chairman of the Committee is elected among the Members of the Board of Directors. Early Identification of Risks Committee;

a) carries out activities in relation to early detection of the risks threatening the existence, development and continuity of the Company as well as implementation of the relevant measures against any risks detected and management of such risks.

b) reviews risk management systems at least once a year.

The Committee documents and keeps record of all its activities, and submits an assessment report on current developments along with its opinions and recommendations to the Board of Directors every two months. In 2015, the Committee convened five times, and presented a risk assessment report to the Board of Directors.

18. Risk Management and Internal Control Mechanism

Risk Management Mechanism

An effective risk management strategy at our Company is critical to take under control the potential risks inherent in the airline industry, which is prone to fierce competition, and to ensure sustainable growth. In order to minimize the negative impact of fluctuations fuel and carbon emission prices, interest rates, cash flow, foreign currency, in particular, and counterparty risks and to provide a reasonable assurance for the Company against potential crises; a Treasury and Risk Management Committee, chaired by Chief Financial Officer and composed of Senior Vice President (Finance), Senior Vice President (Accounting and Financial Control), Financial Risk Management Manager, Treasury Manager, General Finance Manager, Budget Manager, Financial Control Manager, Financial Analysis Manager and Fuel Manager – was established under the coordination of the Financial Risk Management Department. The Committee sets the Financial Risk Management strategy of the Company and carries out necessary activities in relation to management of any Financial Risks to which the Company is or might be exposed.

Accordingly, among other Financial Risks the Company is exposed to, we decided to focus on hedging fuel price risks as a matter of first priority in June 2009 and as we gained more experience in the market, the number of instruments used also increased and our hedging process continues in line with a constantly developing, dynamic strategy. Currently, Swap and option based costless collars are used to hedge fuel price risks although they are exposed to changes in prices. In addition, we established our liability in relation to carbon emissions, laid down the strategy to protect the Company against carbon emission risks, and take necessary actions as required under Carbon Emission Trading System. In order to minimize the impact of exchange rate fluctuations, regarded as a major risk element in view of the Company's field of activity and to keep the risks that may arise from potential differences between forecasted and actualized revenues and expenses under control, a proactive exchange rate policy is implemented based primarily on natural risk management for exchange rates, by also taking into account the evaluation of the available cash portfolio. In addition, a corporate strategy was launched in June 2013 in order to use derivative transactions to minimize any financial risks that may arise from potential negative fluctuations in foreign exchange rates. To that end, EUR, US$ and TRY currency positions anticipated for each month are established based on the Company's monthly-updated forward-looking cash flow forecast, and accordingly, forward contracts are used with the aim of selling EUR at a fixed rate and buying US$ and TRY within the next 24-month period for a portion of these currency positions. With the changes in early 2015, we have adopted a dynamic strategy involving option-based collars and forward contracts to close USD/EUR open positions by selling EUR; and forward contracts are also used to close TRY open positions. On the hand, in order to reduce the need for use of derivative products, USD is used as the pricing currency for international flights of domestic origin as of May 2015 instead of EUR as a natural hedge against currency risk.

Financial risks arising from the changes in interest rates may have impacts on the Company because of nature of its business and the industry. As part of management of interest rate risks, the Company regularly monitors and analyzes interest rate markets, determines the structure of corporate indebtedness, conducts

interest rate sensitivity and weighted average maturity analyses and keeps track of potential cost variations due to interest rates. In order to manage the interest rate risk; hedging transactions are performed by keeping the interest rates for loans either at a fixed level or between certain limits (collars) for a portion of the debt portfolio until the due date of the loan.

Internal Control Mechanism:

Our Company has an Inspection Board to inspect the Company's activities, and effectiveness of corporate governance, risk and control processes, with a systematic and disciplined approach, advise and provide assurance on efficiency and effectiveness of such processes, and submit opinions and recommendations in this respect.

To that end, the Audit Board reports to and advises senior management to ensure:

↗ conduct of the Company's activities in compliance with statutory and internal regulations, agreements, and the defined strategies, policies and targets.
↗ good governance, effective management of internal control and risk processes,
↗ effective and efficient use of the Company's resources,
↗ provision of reliable, consistent and updated data,
↗ continuous improvement of the units and processes,
↗ improvement of the quality of Company services so as to optimize customer satisfaction,
↗ effective communication of the information obtained during inspections to the relevant functions of the organization,
↗ coherence and coordination among units
↗ detection of any faults, fraud and misconducts that might give rise to loss of income and corporate assets, and implementation of necessary actions,

and supervises whether the findings and recommendations on the report are fulfilled or not.

19. Strategic Targets of the Company

An Operating Budget, covering the operational and financial plans regarding the next 1 year activity period, and the Business Plan, covering the 10 year operational and financial plans that give detailed information about the first five years, while giving macro information about the second five years, are prepared with the participation of all units of our Company, and discussed in detail, finalized and approved at the budget meeting with the attendance of all members of the top management and the Board of Directors.

Moreover, our Corporation's Strategic Targets including long term targets, apart from the budget, such as market share, customer satisfaction, brand value, as well as the annual Corporate Targets that will serve in achieving these targets, are determined in accordance with the Target Management Procedure. Responsibilities are assigned to relevant units in accordance with the Annual Corporate Targets Responsibility Ratios General Guidelines, as target achievements are periodically monitored through the Corporate Performance Monitoring System, and reported to the Compliance Revision Board that convene monthly. Chaired by the General Manager, the Revision Board revises the degree of accomplishment of the targets, taking previous periods' performances into consideration; and target deviations, if any, are identified, and necessary actions are taken.

The Board of Directors approves the strategic targets set by the management of the Company, and monitors such targets, as well as the activities and previous performance of the Company continuously and effectively. In doing so, the Board always strives to ensure compliance with international standards, and takes immediate and proactive actions, where necessary. In order to monitor the strategic targets and previous performance of the Company, reports are presented to the Board of Directors, including:

i) a summary of the up-to-date financial and operational situation of the Company and budget deviations, at every Board meeting, and

ii) informative presentations on assessments of the performance of the Company for the previous period, rate of achievement of its annual corporate targets, reasons for deviations, if any, and costs analyses, upon announcement of quarterly financial results.

Necessary measures and actions are determined based on such assessments, and the budget and business plan are revised, if necessary.

20. Financial Rights

Any rights, benefits and remuneration provided to the members of the Board and senior management of the Company as well as the criteria used to determine these rights are documented in our corporate Remuneration Policy, which has been disclosed to public and posted on our Investor Relations website. Remuneration of the Board members is discussed and determined as a separate item on the agenda of Shareholders' General Assembly meeting. No dividends, stock options or performance-based payment plans are used for remuneration of the Independent Members of the Board of Directors. The Company never lends money or extends credit to any of the Board members.

Net remuneration is paid to the members of the Executive Board and Board of Directors. Members receive bonus payment but no honorarium is paid. Executive Committee members receive net TRY 10,212 per month, while other members of the Board of Directors receive net TRY 7,659 per month. In addition, a bonus payment is made in each quarter, equivalent to their monthly net remuneration. In 2015, the sum of all tangible benefits including remuneration and bonus paid to the members of the Board of Directors, General Manager and Chief Officers was TRY 10,376,159