Corporate Governance Q&A

1) What are the benefits of the transaction for minority shareholders?

This transaction is intended to result in a conflict-free, transparent and simple ownership structure and board of directors, bringing stability and allowing Turkcell to unlock its potential as Turkey’s digital leader and increase value for all investors.

The one share – one vote principle will be maintained for all shareholder decisions excluding the election of the 5 directors which will be subject to TWF’s voting privilege. Post-transaction, minorities will be able to influence the outcome of the following shareholder decisions:

- Nomination and election of 4 out of 9 directors (at least 3 of which will be directors that satisfy the independence criteria put forward by NYSE/SEC and the Capital Markets Board of Turkey (the “CMB”) regulations);
- Dividend distribution; and
- Other general assembly matters.

Minorities will become the largest shareholder group with a 49% interest, vs. a 26.2% interest for TWF and a 24.8% interest for L1. This is to be contrasted to the status quo, where currently Turkcell Holding is the largest shareholder with a 51% interest in Turkcell.

This transaction presents once in a life-time opportunity to resolve long-standing shareholder conflicts for the benefit of Turkcell and all its stakeholders.

As a potential future shareholder that will, if the transaction is approved by shareholders, be able to control Turkcell’s board of directors, TWF has made certain assurances in the transaction documentation confirming its intention to maintain the existing dividend distribution policy and to continue the ADS (American Depositary Scheme) programme following completion.

As dividend distribution is ultimately a shareholder decision matter this means that, going forward, there will be greater visibility in relation to dividend distribution and the payment
of dividends will no longer be subject to risk and uncertainty due to the long-standing shareholder conflicts.

2) Will the corporate governance of Turkcell improve as a result of this restructuring?

Yes, we strongly believe it will.

Turkcell's new proposed governance framework will:

- Increase the weight of the voting power of minority shareholders;
- Discontinue the appointment of 3 independent directors by Capital Markets Board of Turkey (“CMB”), thereby allowing shareholders to elect these directors (as would be the case for any other public company in Turkey), with CMB only assessing the independence of such directors;
- Remove the quorum requirements for shareholder meetings which have been reconvened (i.e. held for the 2nd time) due to lack of quorum, meaning it is not possible for a shareholder to unilaterally block a General Assembly (“GA”);
- Remove the ability of the Board to restrict shareholders’ pre-emptive rights on share issuances.

Pre-Transaction status quo – how it is supposed to work:

Currently Turkcell's board of directors consists of 7 members. Directors are elected for a maximum period of 3 years. Per CMB regulations at least 1/3 of the board of directors (3 in the case of Turkcell) should be independent in accordance with SEC/NYSE and CMB independency criteria with no affiliation with the Company or its significant shareholders.

Although any Turkcell shareholder can theoretically submit a director candidacy to the GA (except for independent ones for whom a separate nomination process needs to be activated), currently Turkcell Holding can outvote other shareholders with its 51% ownership when voting for director elections including the election of independent directors. Therefore, minority shareholders are not able to influence the composition of Turkcell’s board of directors.
Pre-Transaction status quo – how it works in practice:

Turkcell has a complex ownership structure, with two layers of holding companies, Turkcell Holding and Cukurova Telecom Holding. In accordance with the terms of agreements entered into by shareholders of those companies, certain decisions require unanimity between shareholders at both levels. In the past, the 3 major shareholders could not agree on several material decisions, including board representation. As a result of shareholders’ disputes, Turkcell has not been able to fully address CMB regulations for some time and, ultimately, in 2013, the CMB progressively replaced 5 Turkcell board members with its nominees (who qualified as independent directors) and 2 board members with Telia nominees to resolve the deadlock. As there was a deadlock situation, these directors were not elected/voted by Turkcell shareholders at the GA.

In 2018, the 3 major shareholders made some progress in resolving their conflicts and agreed to appoint one board member each. Currently, Turkcell’s board of directors comprises 3 representatives of Turkcell Holding, 3 independent CMB nominees and the chairman. However, minorities have not been able to influence the outcome of director elections.

Post-Transaction governance:

Turkcell’s board of directors will consist of 9 members 3 of which should be independent as per NYSE/SEC and CMB regulations. TWF, as the sole owner of the Group A shares, will have a guaranteed majority vote via its voting privilege (6 votes for each Group A share) for the election of 5 board members (excluding independent board members); all other shareholders will also be able to vote for the election of these 5 directors but their vote will not determine the result of the vote. With regards to the other 4 directors, including 3 independent directors, all shareholders will have one vote per share. Given i) the largest shareholder, TWF, will have only 26.2% of these votes; ii) there is no shareholder agreement in place between TWF and L1, which has 24.8% of the votes; and iii) the free float will have 49% of the votes – minority shareholders would have an impact on the election of these 4 directors – a significant improvement versus the status quo.

As for the nomination of the board candidates, in addition to the candidates proposed by the Company’s Nomination Committee, any shareholder has also a right to submit a
director candidacy to the GA as described by the CMB Corporate Governance Communiqué.

3) **What are the proposed Articles of Association ("AoA") changes?**

The full amendments are set out [here](#). In summary, the Articles of Association amendments will include the following changes:

1. Increase the size of the board of directors from 7 to 9;
2. Creation of a new class of privileged shares (Group A) that will constitute 15% of total shares issued and will in its entirety be owned by TWF (out of the 26.2% of shares TWF acquires as part of the overall deal, 15% will be converted to Group A shares and the rest will be ordinary shares (Group B), which is the class of shares held by other shareholders). Group A shares will be granted voting privileges, enabling TWF to elect 5 out of 9 directors, as well as the Chairman of the board. The Group A shares will automatically convert Group B shares if the Group A shares cease to be owned by a single shareholder;
3. Amendments to the Board meeting quorum required to agree resolutions;
4. Removal of a quorum requirement for shareholder meetings which have been reconvened due to lack of quorum.
5. Removal of Board’s ability to restrict shareholders’ preemptive rights on share issuances,

as well as general house-keeping related changes.

4) **What approval is required from shareholders?**

All agenda items require a simple majority approval of the attending shareholders at the GA other than the proposed AoA amendments (agenda item 3) which require approval by 2/3 of the attending shareholders at the GA (requiring 2/3 meeting quorum). In accordance with Turkish law, Turkcell Holding will be permitted to vote for all agenda items in this upcoming GA. Turkcell Holding shareholders have committed to support the proposed AoA amendments, as has already been publicly announced. Turkcell
Holding’s support for dividend distribution resolution at the GA is also conditional on AoA amendments approval.

5) When will the new Board be elected?

Per the proposed agenda, there will be no new director candidates proposed at the GA contemplated as part of the Transaction. Per agenda item 9 the election of Christopher James Powell, an existing director elected in accordance with Article 363 of the TCC due to the vacancies in the membership of the board of directors, will be submitted for the approval of the GA. Ingrid Maria Stenmark and Christopher James Powell, representing Telia and L1 interests, respectively, will resign at completion of the transaction. The new Board members will be elected and confirmed in a further GA after completion. The existing Board could fill vacancies (only up to 7 members) until the next GA.

6) What will the new Board look like?

The new Board will be composed of 9 directors, of which TWF will have the right to elect 5. The details of these directors will be confirmed at the next GA following completion of the transaction.

7) Will the new Board be less independent than it is now?

No. CMB has since 2013 intervened to appoint certain independent directors to the Turkcell board of directors to resolve the deadlock, and they have not been voted for by Turkcell shareholders at previous GAs. Currently, the 3 CMB appointed directors are regarded as independent. Under the new proposed structure, the independent members of the Board will be elected by Turkcell shareholders in the GA, on a one vote one share basis (as is the case for other public companies) in accordance with CMB regulations. With a new board size of 9 members, 3 members need to be independent according to such regulations.
8) **How are the Nomination Committee members elected?**
Nomination committee members are elected by the Board. An independent Board member chairs the nomination committee per CMB regulations. The Nomination Committee has an advisory role to the Board, and in addition to the candidates nominated by the Nomination Committee, any Turkcell shareholder is also allowed to submit a director candidacy to the GA.

9) **Will the CMB continue to nominate Directors?**
No. The CMB will assess independent directors’ independence as is the case for other Turkish companies, however, it will no longer appoint directors to the Board.

10) **What will be the purpose of the four non-TWF directors at the Board?**
The purpose of such directors is to oversee and monitor the Company’s activities, and to act in the best interests of the Company. The independent directors are also instrumental in certain board decisions such as related party transactions. TWF believes that a well-functioning, diverse and professional Board of Directors is required for sustainable shareholder value creation.

11) **Which Directors will represent minority shareholders’ interests?**
All board members of Turkish listed companies have a legal duty to act in the best interests of the Company. In addition, the interests of minority shareholders will be represented by the 4 directors (including 3 independent directors) that are elected without TWF’s voting privileges.

12) **What resolutions will TWF’s voting privilege apply to?**
TWF, as the sole Group A shareholder, does not have any privileges other than voting privileges with respect to (i) the election of 5 out of 9 board members, (ii) the nomination of the Chairman of the presiding committee of the GA (a courtesy role with limited governance implications) and (iii) the election of the Chairman of the Board of Directors (a de facto implication of having control of the Board). TWF will not have any privileges...
with respect to any other shareholder matters including the election of the other 4 board members and dividend distributions.

13) How will minority shareholders’ interests be protected at the Board?

It is important to understand the current status quo at Turkcell and to explain why maintaining the status quo is not in minority shareholders’ interests.

Pre-Transaction status quo:

- Minority shareholders cannot influence the outcome of shareholder resolutions (board representation, dividends distribution, etc) that require a simple majority vote at GA given they can be always outvoted by Turkcell Holding, which owns 51% of Turkcell shares.

- Since the quorum rule in Turkcell’s existing AoA requires that shareholders representing a minimum 51% of the shares are present, GA meetings can be blocked by Turkcell Holding in the scenario where Turkcell Holding’s own shareholders cannot agree on a position to present to the GA, as has happened often in the past. Between 2010-14 there were no GA meetings held in Turkcell and, as a result, no dividends paid.

- Decision making at the 2 layers of holding companies controlling Turkcell lacks transparency and requires unanimity for certain material decisions.

Post-Transaction governance:

- Minority shareholders will collectively hold the largest share of votes (49% vs. 26.2% for TWF and 24.2% for L1) on any shareholder matter decision at GA other than the election of TWF’s 5 board members and, as such, will have the ability to influence the outcome of all of those decisions (board representation, dividends, etc).

- No shareholder or voting agreement between TWF and L1.
• No quorum requirements for shareholder meetings which have been reconvened due to lack of quorum, meaning no single shareholder can unilaterally block GAs as has been the case in the past.
• All independent directors will be elected by shareholders in line with NYSE/SEC regulations and CMB election criteria.

To conclude, minority shareholders’ interests are expected to be better protected at both the Board of Director and the GA levels as a result of the transaction.

14) How will TWF choose its Board representatives?

TWF believes that a well-functioning, diverse and professional Board of Directors is required for sustainable shareholder value creation. Thus, TWF’s nominees will be qualified professionals who will have the required skills and experience and work with the management of Turkcell for the best interests of the Company and its shareholders. TWF is a financial investor aiming for long-term sustainable shareholder return. As a member of the International Forum of Sovereign Wealth Funds, TWF implements the Santiago Principles of corporate governance.

15) Has TWF signed a lockup for their shares?

TWF’s Group A privileged shares, which comprise 15% of the total shares in issue, will be locked-up for a period of 3 years from completion, subject to certain customary exceptions. TWF’s Group B ordinary shares, which comprise 11.2% of the total shares in issue, will be locked-up for a period of 1 year from completion, subject to a 5% de minimis carve-out and other customary exceptions.

16) Has L1 signed a lockup for their shares?

L1’s Group B ordinary shares, which comprise 24.8% of the total shares in issue, will be locked-up for a period of 1 year from completion, subject to a 5% de minimis carve-out and other customary exceptions.
17) Are there any shareholder / voting agreements between TWF and L1?

There will be no shareholder or voting agreements in place between TWF and L1. These parties are free to vote as they wish on all matters at shareholder meetings.