

**CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT****SECTION I. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT**

Within the period between the 1st of January 2017 and the 31st of December 2017, our Company made necessary amendments in the Articles of Association required for the Company to comply with the Corporate Governance Principles. In this context, according to the 26th Article of the Articles of Association of the Company titled “Compliance With The Corporate Governance Principles”;

“The Corporate Governance Principles, the implementation of which are declared to be obligatory by the Capital Markets Board of the Prime Ministry of the Republic of Turkey shall be complied with. Any transactions carried out and any Board Resolutions passed without complying with such obligatory Corporate Governance Principles shall be null and void, and shall be considered to be in violation of these Articles of Association. In respect of transactions that are considered to be of a substantial nature with regard to the implementation of the Corporate Governance Principles, substantial transactions of the Company with related parties, and transactions relating to the granting of securities, pledges and mortgages in favour of third parties, regulations of the Capital Markets Board of the Prime Ministry of the Republic of Turkey relating to corporate governance shall be complied with”. Accordingly, the Company carries out its activities in compliance with the regulations and CMB’s “Corporate Governance Principles”.

Moreover, information about the Company practices in issues specified in the Corporate Governance Principles is available in the relevant sections of the 2017 Corporate Governance Principles Compliance Report of the Company. The report also includes; (i) justified explanations regarding the cases (if any) where certain provisions specified in these Principles are not put into practice; (ii) explanations regarding the conflicts of interest arising from failing to fully comply with these Principles; (iii) Company’s plans to make any changes within the framework of these Principles.

Corporations that apply to CMB for IPO as per the Corporate Governance Communiqué, are subject to the obligations of the corporations in the third group until the new list is announced by CMB to specify the groups. Therefore, the Company will be subject to the obligations of the corporations in the third group until the announcement of the new list by CMB to specify the groups (expected on January 2019). Moreover; until the first General Assembly meeting to be held after the Company shares begin to be publicly traded, the Company must comply with the obligations of its group specified within the scope of the Corporate Governance Communiqué. In this context, until the first General Assembly meeting to be held, the Company will have completed the Corporate Governance Communiqué compliance process required for the third group. Furthermore, the Company will make best effort to comply with all of the Corporate Governance Communiqué provisions in the upcoming period.

At the first phase after the Company’s IPO in February 2018, the Company plans to complete the compliance process with the Corporate Governance Principles that are compulsory, and then to carry out activities to ensure compliance with all Principles. In the upcoming period, the Company also aims to launch Corporate Governance rating process, and to be listed in the BIST Corporate Governance Index.

## SECTION II- SHAREHOLDERS

### 2.1. Investor Relations Department

Investor Relations Director is in charge of carrying out relations with MLP Care's Investors and Shareholders in conformity with the Company's Public Disclosure Policy. Investor Relations Unit plays an essential role in accordance with the protection of shareholders rights and making exercising of these rights easier, particularly the rights to obtain information and the rights to examine. Investor Relations Department Activities are as follows:

- Carrying out the transactions with the Central Registry Agency, and making sure that correspondence between the Investors and the Company as well as the records of other information and documents are kept in good, safe and updated condition.
- In line with the Company's Public Disclosure Policy, providing clear answers to the questions and shareholders' relevant information requests submitted to the Investor Relations Department within the period – excluding the information that is not publicly disclosed, confidential or trade secret – by using communication tools or face-to-face methods of communication.
- Preparing the documents that must be provided to the shareholders for the General Assembly meeting, and taking necessary measures to make sure that the General Assembly meeting is held in line with the relevant legislation, the Articles of Association and other internal procedures of the Company.
- Supervising and monitoring the process of fulfilling the obligations arising from the Capital Markets Legislation including all sorts of issues related to corporate governance and public disclosure and ensuring coordination of the public communication activities in addition the disclosures required by the legislation, attending conferences, meetings, seminars and road-shows in order to meet with the investors and analysts.

Updated information regarding the personnel working at the Company's Investor Relations Department in 2017 are given below. Investor Relations Director Dr. Deniz Can Yücel works fulltime and directly reports to Muharrem Usta, the Chairman of the Board of Directors and CEO. Due to the fact that the Company was not yet a publicly traded company in 2017, there are no requests submitted to the department and no answers given to the shareholders.

#### **Dr. Deniz Can Yücel**

Investor Relations Director

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Committee members will be appointed to the Corporate Governance Committee, established on the 15<sup>th</sup> of January 2018, as soon as possible. Investor relations unit's director is also a natural member in the Corporate Governance Committee.

Corporate Governance Committee is responsible for supervising the Investor Relations Unit. The Committee keeps written records of all of its activities, and reports to the Board of Directors in a format that will cover information regarding the activities of the Committee and results of the Committee meetings. The Committee promptly submits the evaluations and proposals, within the scope of its duties and responsibilities, to the Board of Directors in writing. In 2018, meetings will be held in conformity with the existing guidelines of the Committee, after the Committee members are appointed.

## **2.2. Exercise of the Information Rights by Shareholders**

All information requests received from the Shareholders are evaluated in conformity with our Company's Public Disclosure Policy and as a principle, the latest information and disclosures are available on our website regarding the issues that may have impacts on using shareholders' rights.

There are no provisions or practices within the scope of the Articles of Association of the Company or a decision taken by a Company organ abolishing/restricting Shareholders right to demand information and review. Necessary mechanisms are in place for the shareholders to fully and completely use their rights.

There are no provisions within the scope of the Articles of Association of the Company restricting the process of performing private audit. Moreover, the Company management avoids any actions restricting the process of private audit. The Company acts in conformity with the relevant provisions of the Turkish Commercial Code about using the right to request a private audit. In 2017, no request was made for appointing private auditor.

As per the Article 438 of the Turkish Commercial Code, every shareholder may request the General Assembly to clarify certain cases through private audit, in case it is necessary for exercising shareholders' rights, even if the right to demand information or review is exercised before and even if it is not on the agenda. If the General Assembly approves the request, the Company or any shareholder, may appeal to the Istanbul Commercial Courts of First Instance in the area where the Company Headquarters is located, and may make a request for appointing a private auditor within thirty days.

## **2.3. General Assembly Meetings**

As per the 18<sup>th</sup> Article, titled "General Assembly Meetings", of the Articles of Association; General Assembly meeting procedures are formulated with an internal directive. Our Company organizes General Assembly meetings in conformity with this "Internal Directive On Working Principles and Procedures of the General Assembly" that entered into effect on 2013.

Invitation for a General Assembly meeting is made minimum three weeks before the General Assembly meeting date – date of making the call, and meeting date excluded – via all sorts of communication tools including electronic communication, in addition to the methods stipulated in the legislation. The invitation for the meeting is made available via Company website, Public Disclosure Platform ("Public Disclosure Platform") and Turkish Trade Registry Gazette. A disclosure is made available for the shareholders on the Company website together with the invitation for the General Assembly meeting, including; (i) the necessary notifications and disclosures that the Company has to make as per the legislation, and; (ii) the issues stipulated by Corporate Governance Regulations. Meeting minutes and

the list of attendees will be publicly disclosed on the meeting date via Public Disclosure Platform. General Assembly Meeting minutes and the list of attendees will be made available on our website for our shareholders' information.

- While preparing the agenda of the Ordinary General Assembly Meeting, any written requests of the shareholders delivered to the Investor Relations Unit in writing or any written requests to add an item to the meeting agenda by shareholders, CMB or other government institutions, which are related to the Company, will be evaluated as required by the Corporate Governance Principles.
- In order to increase the attendance of the shareholders to the General Assembly meeting, it is aimed to hold the meetings without causing any inequalities between shareholders and enable shareholders to attend these meetings with a minimum cost. In this context, General Assembly meetings are held at the Company Headquarters or at a suitable place in the city where the Company's Headquarters is located.
- The chairman of the Ordinary General Assembly will take specific care in conveying the information about the subjects on the agenda objectively and in a detailed, clear and unbiased way. The shareholders should be given opportunities under equal conditions in explaining their considerations and questions. The meeting chairman makes sure that all shareholders' questions that do not intrude on trade secrets are answered at the General Assembly Meeting. In case any question that is irrelevant to the agenda or that has a wide scope, which makes it impossible to give an answer right away, is asked at the Ordinary General Assembly Meeting, such question will be answered in writing by the Investor Relations Department within 15 days. All questions asked and answers given at the General Assembly meeting, will be publicly disclosed by the Investor Relations Department on the corporate website, within maximum 30 days after the General Assembly. Moreover, questions asked and answers given during the General Assembly meeting will be included in the meeting minutes.
- In accordance with the Corporate Governance Principles article 1.3.7, in case of any transaction in which persons who have privilege to access Company information, on their behalf within the Company's field of activity, General Assembly will be informed.
- In case of any transaction that requires the approval of the majority of the independent Board members for the Board of Directors to take a decision, and where the decision was left to be resolved by the General Assembly because this condition was not met, the Corporate Governance Principles will be complied with.
- In case our Company's majority shareholders (who control the management of the Company), members of the Board of Directors, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree make any important transaction with the Company or its associate companies which may lead to conflicts of interest and/or make any transaction, related to a commercial business that is within the scope of Company's or its associate companies' field of activity, for their own account or for the account of others or if they become unlimited partners in other companies carrying out similar commercial businesses; these transactions will be included on the General Assembly agenda as a separate item, detailed information will be given at the General

Assembly about the issue, and the issue will be included on the General Assembly meeting minutes.

- The Company has an aid & donation policy. On a separate agenda item at the General Assembly meeting, information will be given to the shareholders about all aid & donations made in line with this policy within the period, as well as any beneficiaries and policy changes.

In 2017, two General Assembly Meetings were held, an Ordinary Meeting on the March 31, 2017, and an Extraordinary Meeting on the November 17, 2017, at the Company Headquarters, without making a call for the meeting due to the fact that all shareholders attended the meeting. The meeting minutes were published on the Turkish Trade Registry Gazette. Both meetings were held with 100% meeting quorum. Media members were not present at the meetings.

Briefly, the following decisions were taken at the abovementioned General Assembly Meetings:

Ordinary General Assembly Meeting held on the March 31, 2017:

- The Board of Directors' Annual Report for 2016, the profit & loss statements, and the Independent Auditor Report were discussed and approved. The selection of the Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the external audit company for 2017 fiscal year was approved.
- A decision was taken to; (i) elect Muharrem Usta, to represent Usta Group for a 3-year term, for the vacant positions of the former members of the Board of Directors; (ii) authorize Sancak İnşaat to represent Sancak Group; (iii) authorize Sullivan B.V., Dory B.V., Elinor B.V. and Walle B.V. to represent the Investor Group, and; (iv) not to pay any remuneration to these members because of the roles they assume in Board of Directors.

At Extraordinary Meeting held on the November 17, 2017, below decisions were taken:

- Transition to the registered capital system (whose necessary permits already received), and the amendments in the Articles of Association were approved.
- Within the scope of the Articles of Association amendments; a decision was taken to divide 176.458.254 Company shares, with a nominal value of TL 176.458.254 representing the Company capital, into two groups composed of 88.229.127 Group A registered shares and 88.229.127 Group B registered shares.
- A decision was taken to offset the total amount of TL 237.924.210,01, logged under the Share Issue Premiums in the Company's balance sheet, against the Company's previous years losses in conformity with the current provisions and opinions.

#### **2.4. Voting Rights and Minority Rights**

At the General Assembly meetings, provisions of the Turkish Commercial Code, Capital Markets Legislation, the Articles of Association and the Internal Directive On Working Principles and Procedures of the General Assembly will be put into practice. Persons who are entitled to attend Company's General Assembly meetings may attend these meetings in electronic environment as per the Turkish

Code of Commerce Article 1527. The Company avoids any practices that would hinder the right to vote, and pays utmost attention to give each shareholder the opportunity to use his/her right to vote in an easiest and most suitable manner.

As per the Articles 29 and 30 of the Capital Markets Law, Communiqué II-30.1 on Voting By Proxy and Proxy Solicitation, Articles 414, 415, 419, 425 and 1527 of the Turkish Commercial Code; right to attend General Assemblies and right to vote, cannot be restricted in a manner that will force the shareholders to put their shares under custody of any depository institution. Shareholders in the list of attendees – prepared by the Board of Directors from a list received from the Central Registry Agency – may attend the General Assembly meetings of the publicly traded companies with shares tracked in a book entry system. Entitled persons whose names are on this list may attend the General Assembly by showing an ID.

Each share has one right to vote at the General Assembly meetings. Provisions of the Turkish Commercial Code, Capital Markets Law and other relevant legislation are applicable. At the General Assembly meetings, shareholders can be represented by other shareholders or by proxies, who will be appointed externally, within the scope of the proxy voting provisions of the Capital Markets Law. Proxies, who are also shareholders of the Company, are entitled to cast the votes of the shareholders, whom they represent, in addition to their own votes. The Board of Directors determines and announces the form of exercising their rights. Each Company share is an indivisible. In case a share has more than one holder/owner, such persons may use their rights only via proxy they will jointly appoint. If they fail to appoint a joint proxy, notifications made to any of these persons will be assumed as received by all of them.

At the General Assemblies, provisions of the Turkish Commercial Code, Capital Markets Legislation, CMB's Corporate Governance Principles are applicable for meeting and decision quorums. However, affirmative votes of the shareholders who have majority of the capital represented by the Group A shareholders, is required to take decisions about the "Issues That Require Weighted General Assembly Decision Quorum" (specified in the same article), and the Articles of Association amendments within the scope of these issues. Furthermore, affirmative votes of the Group A shareholders who have at least 85% of the capital represented by the Group A shareholders, is required to take decisions about the "Special Issues That Require Weighted General Assembly Decision Quorum" (specified in the same article), and the Articles of Association amendments within the scope of these issues.

In case the capital represented by Group A shares no longer represents at least 20% of the Company's issued capital, from the moment making the legal transaction that causes this situation, the weighted quorum required for the abovementioned Issues "That Require Weighted General Assembly Decision Quorum" and "Issues That Require Special Weighted General Assembly Decision Quorum" will be annulled and will not be restored later.

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. While, Corporate Governance Principles enables provision of minority rights to shareholders with less than 1/20 share in capital in the Articles of Association; Articles of Association of our Company does not include any article broadening the extent of minority rights compared to Law.

Group A shareholders have some privileges defined in the Company's Articles of Association including the nomination of the Board members and requirement of approval of Group A shares in certain decisions at the General Assembly meetings.

There is no cross shareholding relationship between the Company and the majority shareholders.

## 2.5. Dividend Right

There are no privileges provided to shareholders in dividend distribution.

Within the framework of the Capital Markets Legislation, publicly traded companies are not obliged to make any profit distribution, whilst the profit distribution principles are determined within the framework of the profit distribution policy. Moreover, the Company is obliged to comply with some financial and other restrictive commitments within the scope of its current agreements regarding the financing borrowings. However, the Company plans to re-discuss and amend the commercial terms of the Syndicated Loan Agreement, including the restrictions on dividend distribution and provisions about control change.

The aim of the dividend distribution policy is to make sure that the Company pursues a balanced and consistent policy between the investors and Company interests in conformity with the relevant legislation, and a transparent policy towards the investors in the processes of providing information to the investors and making profit distribution.

Dividend distribution process, and the method and the time frame of the profit distribution is determined by the General Assembly upon the Board of Directors' proposal on the issue. As long as the relevant regulations and financial means are suitable, our Company aims to distribute at least 20% of the net distributable profit – calculated, within the framework of the Articles of Association, Turkish Commercial Code, Capital Markets Law Dividend Communiqué II-19.1 and tax regulations, by taking market expectations, company's long term strategies, investment and financing policies, profitability and cash status, as well as the capital requirements of the subsidiaries and affiliates into consideration. Dividends can be distributed in cash and/or in the form of bonus shares and/or by using both of these methods together in a certain proportion with each other. Dividends are distributed to all shares – in proportion to their percentage – existing as of the distribution date without taking the date of issuing or acquiring the shares into consideration. If such a decision is taken at the General Assembly meeting, equal or varying amount of dividend payments can be made as well. Dividend distribution transactions are initiated on the date decided at the General Assembly provided that these transactions start at the end of the accounting period, at the latest, in which the General Assembly meeting (where the distribution decision is taken) is held. As per the Articles of Association, the profit distribution decision taken by the General Assembly is irrevocable unless permitted by law. In case the Board of Directors makes a proposal to the General Assembly for making profit distribution, information about the reasons for making profit distribution and the method of using the profit that will not be distributed, must be included on the agenda item about profit distribution; and these issues are submitted for shareholders information at the General Assembly.

The Board of Directors' proposal regarding the profit distribution or advance dividend distribution, are publicly disclosed together with a profit distribution table or advance dividend distribution table in line with relevant regulations. Furthermore, if any change is to be made in profit distribution policy, the

Board of Directors' decision about such a change and the reason for the change should be publicly disclosed.

The Company decided not to distribute any profits in the General Assembly Meeting for the year ended December 31, 2016.

The dividend policy of our Company is available on our website and annual report.

## **2.6. Transfer of Shares**

As per the Articles of Association of the Company, the transfer of the shares is permitted without any prejudice according to the provisions of the relevant articles of the Turkish Commercial Code, Capital Markets Legislation and the Articles of Association. Approval of the shareholders who have majority of the capital represented by the Group A shareholders, is required to sell Group A shares in the stock exchange. The shares to be sold must be turned into Group B shares.

Such shares automatically turn into Group B shares upon the application that will be made to the Central Registry Agency or another alternative organization by the shareholders who have Group A shares, in order to turn these shares into shares that can be transacted in the stock market for any reason whatsoever including transactions such as selling, pledging the shares.

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

The purpose of the Public Disclosure Policy is to ensure active, effective and transparent communication by sharing all kinds of information, which is not a trade secret – in a fair, accurate, prompt, comprehensible, low-cost and easily accessible manner in conformity with the provisions of the regulations binding the Company and the Articles of Association – with all stakeholders including the shareholders, investors, employees and customers. Board of Directors is responsible for the process of monitoring, supervising and developing Public Disclosure Policy.

Public disclosure policy of the Company is established under the supervision of the Board of Directors. Informative tools and methods used by the Company within the framework of the policy when practicing the policy are; periodically issued financial statements, independent auditor reports and statements, interim and annual reports, Company website ([www.MLP Care.com](http://www.MLP Care.com)), disclosure of material matters, announcements and disclosures made via Turkish Trade Registry Gazette, communication made via teleconference, phone, e-mail, fax etc., social media, print media and visual broadcast media, informative face-to-face or teleconference meetings held with the investors.

In 2017, 33 special case announcements were made in accordance with the Capital Markets Law provisions. All disclosures of material matters were promptly made. All disclosures are also published in English simultaneously via Public Disclosure Platform.

When disclosing its year-end financial results in the upcoming periods, the Company plans to share its expectations together with the assumptions and related data that these expectations are based on for the new operating year through an earnings release. In case the basis and forecasts given in these expectations turn out to be inaccurate or if it seems that they will turn out to be inaccurate within the year, updated expectations will be publicly disclosed together with the necessary explanations.

Public Disclosure Policy is available on our Company website.

### 3.1. Corporate Website and Content

All kinds of information and disclosures that may impact the exercise of Shareholders' rights and all necessary information that must be disclosed as per the Corporate Governance Principles, are available on the Company website at [www.mlpcare.com](http://www.mlpcare.com) in Turkish and also in English for international investors. This website will be used for public disclosures and information therein will be updated constantly. Information given on the Company website is consistent with and is the same as the disclosures made as per the relevant legislation provisions, and it does not include inconsistent or inaccurate information. The letterhead of our Company includes our website address. As a principle, the Company website includes all information required in Section 2 of the Article 2.1. of the Corporate Governance Principles.

Apart from the material matters and footnotes; the financial statements that must be publicly disclosed as per the Capital Markets Legislation, will be publicly disclosed both in Turkish and in English (simultaneously) via Public Disclosure Platform.

### 3.2. Annual Report

The annual report of our Company is prepared in detail in a way that the public may access to the full and accurate information about the operations of our Company, and includes information which is required by legislation and Article no 2.2.2 in Section 2 of the Corporate Governance Principles as well as the requirements specified in other Corporate Governance Principles.

## SECTION IV - STAKEHOLDERS STAKEHOLDERS

### 4.1. Informing The Stakeholders

Our Company acts in accordance with the Corporate Governance Principles regarding its relations with its stakeholders, and has established all necessary mechanisms.

The Company does not have an Indemnity Policy, which must be established as per the noncompulsory Article 3.1.2. of the Corporate Governance Principles. On the other hand, the Company currently act in conformity with the provisions of the applicable Law on severance payments and termination benefits.

Audit Committee establishes necessary mechanisms for the stakeholders to inform the Corporate Governance Committee or the Audit Committee about the Company's transactions that breach the legislation or that are ethically inappropriate. Audit Committee is responsible for; preparing, reviewing and regularly updating the Company's Code of Ethics, and for taking necessary measures to ensure compliance with the Company's Code of Ethics.

Stakeholders are sufficiently informed about subjects regarding the protection of their rights, via several channels including emails, corporate website etc.

## 4.2. Participation of the Stakeholders in Management

Models supporting the participation of the stakeholders, primarily Company's employees, to the management are developed in a manner not to hinder the activities of the Company. In addition to the activities carried out in this area, detailed information about the issues such as quality standards and quality management, existing accreditations etc. are available in the Company's 2017 Annual Report.

Within the context of trade secret, confidentiality of the information about the customers and the suppliers is taken care of. Regarding the important decisions that give rise to an outcome for the stakeholders, the opinion of the stakeholders is taken.

## 4.3. Human Resources Policy

Our Company's human resources policy and practices in this area are in line with all of the Principles of Section 3 Article 3.3 of Corporate Governance Principles.

The human resources ("HR") practices of the Company includes various procedures in many areas such as quality, safety, employee development etc., and these procedures are carried out precisely.

Our Company does not have any plans for the employers to acquire shares of the Company.

As of 2018, as the MLP Care family, around 17,000 people work in order to create value in the health sector.

In terms of Human Resources, MLP Care aims to become a Company with a human resources management approach in global standards that highly values its employees, provides sustainability thanks to this value and therefore becomes preferred by qualified candidates. In order to be successful in this journey;

- We work with a human resources management approach that is always learning and improving,
- We care about providing our employees with equal opportunities. We see the diversity in our workforce as a richness for our business, our employees and our ecosystem, and we support it,
- We aim to acquire the most suitable candidate who has the special abilities for the position as well as corporate culture,
- We stand against any kind of discrimination or harassment towards or between our employees and we do not make concessions,
- We ensure the development of our employees through trainings,
- We encourage and reward success,
- We create career opportunities regarding vertical and/or lateral moves.

As a result of this policy that is followed in Human Resources, it's aimed to create a sense of belonging in our employees, to help them embrace the corporate culture and to collaborate with them in the long-term.

Just like many other industries, leading institutions have great responsibilities in the healthcare sector. As one of the leading institutions of the healthcare sector, it's not just our goal as a Group but also our responsibility towards our country to create value as we grow.

## **Being an Employee at MLP Care**

Each member of the MLP Care family is precious. All executives approach their teams with this understanding. The way we value our employees is an integral part of the power of our brand. We know that if our employees are happy, then our guests are happy. Any idea from our employees that will contribute into our improvement and our future is of great value for us. We embrace the concept of "One who does the job, knows it more than anyone else", taking into consideration every idea with this approach.

On our journey to become a community that everyone, who want to improve themselves and create value, wants to be a part of, and are happy and proud to be an employee; there's no doubt that we draw our strength from our own team. Each member of the MLP Care family highly values people and strives to become reliable. They are also a member of the team that "creates a difference with its services", "believes in continuous improvement", "is agile, goal-oriented and highly ambitious". We hire people that comply with the "Codes of Conduct and Work Ethics" and we continue our journey with these people.

As the MLP Care family, each and every single employee works for the absolute satisfaction of our patients. We know that our greatest capital on our way to satisfaction is our employees. Therefore, it's our goal to understand their needs and provide the services that will create value. While doing so, we strive for coming up with solutions that will make our patients and their companions feel different and special with long-lasting approaches.

The greatest indicator of how much we value our employees is our tight-knit family that love and support each other.

## **Recruitment and Career Management Practices**

In all HR practices, we provide equal opportunities to all candidates and employees. In order to make a difference in the sector, we begin the talent management practices during recruitment. During this process, we carry out practices such as personality tests, general aptitude tests, skill-based interviews and individual case studies.

Our human resources are managed fairly and transparently based on merit. Existing employees are prioritized while filling new positions. All new job openings are announced to the employees, and they are given the opportunity to play an active role in their own careers and guide their career improvement through the MLPKariyerim web page. All of our employees who provide quality services

and create added value know that this will create career opportunities for them within the group and that their improvement will be supported.

Within the Company, the strategy of the Human Resources processes are managed by the central human resources management and carried out in collaboration with the human resources staff of the hospitals. The duty and the authority of conducting the relations with our employees are assigned to the central and hospital human resources staff. The basic duties that are carried out in this context are making sure the units in our institution work efficiently and effectively, increasing employee engagement, developing primary human resources practices within the scope of the adding value to the health sector. The regulations and the procedures regarding the human resources practices can be found on the “Company portal”, the common access area for all employees. Likewise, the missions can also be accessed by our employees on the “portal”.

## **Academy**

Beginning with the recruitment process, the competence improvement of our employees is supported through our Academy. Within the Academy, it's aimed to improve the skills of our employees in professional and executive aspects.

We know that each one of us is an integral part of the whole and that we can only create value when each one of us reaches their maximum potential at work. Therefore, the improvement of our employees regarding professional knowledge as well as personal and executive abilities are supported by the MLP Care Improvement Academy and our Hospitals.

The MLP Care Improvement Academy is the learning and improvement structure of our group where the activities that will support the improvement of our employees are planned taking into consideration the needs of the Group, the department and the employee. Each day, the MLP Care Improvement Academy thrives more with its training programs, e-learning, videos and similar information sources; supporting the professional development of our employees.

## **Wage and Fringe Benefits**

MLP Care Wage Management has been developed in a way that is motivating for the current employees, appealing for the talented candidates in the market, helping the Company to reach its goals, supporting the establishment of an efficient wage management system and also in line with the Company policies and the designated Human Resources budget by taking into consideration the developments in the wage market and the wage policies. The wage markets are monitored closely; the wage ranges are determined in light of the balance within the Company, wage research, economic indicators and the desired position in the market. Basically, it is based on a fair and competitive system which focuses on the abilities that are required by the position and possessed by the individuals, their responsibilities regarding their job, their education and work experience. Wages and fringe benefits are taken into account as a whole and all material and nonmaterial benefits provided for the individual are evaluated all together.

In addition to the monthly salary, the wage package at MLP Care is supported with additional payment packages according to the positions such as a performance bonuses or payments for education, responsibility and department. For some positions and locations, we also provide fringe benefits such as a bus service, commuting expenses, vehicle/gas support and daycare center. Furthermore, all employees are provided with an unlimited Complementary Health Insurance which includes their spouses and their children, and is valid at all hospitals within MLP Care.

## **Employee Satisfaction Measurement System**

The employee satisfaction survey, which is required by the Ministry of Health and includes questions regarding discrimination, is applied twice a year. The results of the survey are evaluated with precision within the privacy policy and shared within the Company. Also, the areas for improvements are identified by using the individual complaints by the employees shared with human resources team and curative actions are taken.

On the other hand, there's a sub-group within the Department of Human Resources called "The Employee Relations Unit". In case of need, our employees can contact the three employees who work in this unit.

## **Rewards and Achievements**

The "Workforce Planning Model", which was developed MLP Care Human Resources in 2016 based on workforce optimization, was deemed worthy of the "Best Innovative Workforce Planning" award in the International Brandonhall Awards.

### **4.4. Ethical Rules and Social Responsibility**

The main purpose of our ethical values policy is to ensure the effective use of resources, open, transparent and lawful maintenance of all services and activities, prevention of unfair competition, and to create an awareness of corporate and social responsibility in our managers and employees.

The Disciplinary Committee carries out the assessments regarding the employee disciplinary processes in the Company and its subsidiaries. In this context, the employees of the Company and all of its subsidiaries should be complying with the principles stated in the "Disciplinary Committee and its Procedures of Operation".

The main purpose of the Anti-Bribery and Anti-Corruption Procedure, on the other hand, is to fight against bribe and corruption and emphasize the importance of complying with the Company by-laws against corruption.

The Audit Committee prepares, revises and regularly updates the Ethical Rules of the Company as well as taking the necessary measures to make sure these rules are followed.

Detailed explanations regarding the Ethical rules and the activities of our Company within the framework of social responsibility can be found in our Company's 2017 Annual Report and the website.

## SECTION V – THE BOARD OF DIRECTORS

### 5.1. The Structure and the Formation of the Board Of Directors

The operations and the administration of the Company are carried out by Board of Directors, which comprises of six members who are elected by the General Assembly and are member are subject to the conditions stated in the Turkish Commercial Code and the Capital Markets Regulations.

Provided that the A Group shares continue to be at least 20% of the issued capital of the Company, three members of the Board of Directors will be elected from the candidates nominated by the this Group. These members of the Board of Directors, who will be elected from the candidates nominated by the A Group shareholders, are not going to be the independent members as stated in the Corporate Governance Principles of the Capital Markets Board.

In case the shares of the A Group fall below 20% of the issued capital of the Company, the privilege to nominate candidates for the Board of Directors, which was mentioned above, will be abolished automatically and irreversibly, starting from the moment that the legal transaction that causes the aforementioned situation is carried out. Furthermore, during the first General Assembly meeting following this transaction, this Article of Association will be amended and the references to the share groups will be removed.

The required number of independent members of the Board of Directors are elected by the General Assembly in accordance with the guidelines regarding the independence of the Board members stated in the Corporate Governance Principles of the Capital Markets Board. The independent members should have the required qualifications that are stated in the regulations of the Capital Markets Board regarding corporate governance.

In accordance with the Corporate Governance Principles, the Companies who apply to the Board for the initial public offering will be subject to the obligations of the Companies in the third group until the new list regarding the groups is announced by the Board. Therefore, the Company will assign the required number of independent Board members within the required time in accordance with the Principles that the third group is subject to. During the operating period between January 1 – December 31, 2017, there weren't any independent Board members.

The Board members can be elected for a maximum of three years. When their term ends, the Board members can be re-elected. The regulations of the Capital Markets Board regarding corporate governance and the Articles of Association will be complied in regard to the term of office of the independent Board members.

The CVs of the Board members are provided below:

**Muharrem Usta - Chairman and CEO**

Muharrem Usta was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in March 31, 2017. Mr. Usta graduated from Dokuz Eylül University Medical School in 1989 and became an ENT specialist in 1992. In 1993, Mr. Usta switched to hospital management business and took initial steps for the establishment of MLP Care. Mr. Usta served as a Board Member at Saray Sağlık Hizmetleri Ticaret ve Sanayi A.Ş. and as a Chief Physician at Universal Hospital. Mr. Usta, MLP Care's Chairman and CEO, also serves as the Chairman of the Board of Trustees of İstinye University, founder and Chairman of F.O.M. Mimarlık Mühendislik A.Ş. and Chairman of Trabzonspor Sports Club.

**Seymur Tarı (representing Sullivan B.V.) - Member**

Seymur Tarı was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in March 31, 2017. Mr. Tarı, currently working at the İstanbul liaison office of Turk Ventures Advisory Ltd., providing consultancy services to TPEF (Turkish Private Equity Fund), previously worked at McKinsey & Company in Istanbul, focusing on corporate portfolio strategy, and at Caterpillar Inc. in Geneva as a product manager with responsibility for the EMEA & CIS regions. Mr. Tarı has an MBA degree from INSEAD and MSc and BSc degrees in Mechanical Engineering and Robotics from ETH Zurich. Mr. Tarı also serves as a Board Member at MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş., Mavi Giyim ve Sanayi A.Ş., Flo Mağazacılık ve Pazarlama A.Ş., Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. and Pizza Restaurantları A.Ş..

**Esat Göktekin Dinçerler (representing Dory B.V.)- Member**

Esat Göktekin Dinçerler was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in March 31, 2017. Mr. Dinçerler currently working at the İstanbul liaison office of Turk Ventures Advisory Ltd., providing consultancy services to TPEF (Turkish Private Equity Fund), previously worked at Avea as the Assistant General Manager and a partner with McKinsey & Company in Istanbul and Houston focusing on banking and telecoms. Mr. Dinçerler holds an MBA from the University of Texas Austin, a MSc degree from Stanford University, and a BSc degree from Bilkent University in Electrical Engineering. Mr. Dinçerler also serves as a Board Member at Koton Mağazacılık Tekstil and Ticaret A.Ş. and Mikro Yazılım A.Ş..

**Hatice Hale Özsoy Bıyıklı (representing Elinor B.V.) - Member**

Hatice Hale Özsoy Bıyıklı was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in March 31, 2017. Ms. Özsoy Bıyıklı currently working at the İstanbul liaison office of Turk Ventures Advisory Ltd., providing consultancy services to TPEF (Turkish Private Equity Fund), previously worked as a Senior Associate at Goldman Sachs Investment Banking division in London, focusing on retail, consumer, luxury goods and leisure industries. In addition, Ms. Özsoy Bıyıklı also worked for The Boston Consulting Group and Andersen Business Consulting in Istanbul and Amsterdam. Ms. Özsoy Bıyıklı holds an MBA degree from Harvard Business School and MSc and BSc degrees in Electrical Engineering and Computer Science from MIT. Ms. Özsoy Bıyıklı also serves as a Board Member at MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş. and Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş..

**Arif Kerem Onursal (representing Walle B.V.) - Member**

Arif Kerem Onursal was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in March 31, 2017. Mr. Onursal currently working at the İstanbul liaison office of Turk Ventures Advisory Ltd., providing consultancy services to TPEF (Turkish Private Equity Fund), previously worked as a Senior Associate at McKinsey & Company in Berlin, focusing on strategy development for various industries. Mr. Onursal has a BSc degree in Industrial Engineering and Economics from Northwestern University. Mr. Onursal also serves as a Board Member at Flo Mağazacılık ve Pazarlama A.Ş., Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. and Natura Gıda Sanayi ve Ticaret A.Ş..

**Haydar Sancak (representing Sancak İnşaat) - Member**

Haydar Sancak was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in March 31, 2017. In addition to his position at MLP Care, Mr. Sancak also serves as the General Manager of Esko İtiryat San. ve Tic. A.Ş., Board Member at Es Ecza Deposu Tic. ve San. A.Ş., Chairman at both Hedef Alliance Holding A.Ş. and Sancak İnşaat and Vice Chairman at both Sancak Enerji Hizmetleri A.Ş. and Sanport Gayrimenkul Geliştirme İnşaat Tic. A.Ş..

In accordance with the contract made by the shareholders of the Company, Muharrem Usta works as both the Chairman of the Board of Directors and the CEO of the Company.

There are no rules established by our Company regarding the Board Members taking responsibilities outside of our Company, however, the requirements of the Corporate Governance Principles are applied on this issue. In this respect, the positions held by the Board Members outside the Group are provided in the table below:

**Board Member Duties Outside the Partnership****Muharrem Usta**

F.O.M. Grup Mimarlık İnşaat ve Ticaret A.Ş. - Vice Chairman of the Board of Directors, Çelebican İnşaat Otelcilik Sanayi ve Tic. A.Ş. – Board Member, İstinye Okulları Eğitim Hizmetleri A.Ş. – Board Member, Trabzonspor Kulübü Derneği (Trabzonspor Football Club) - President, Trabzonspor Sportif Yatırım ve Futbol İşletmeciliği Tic. A.Ş. - Chairman of the Board of Directors, Özel Hastaneler ve Sağlık Kuruluşları Derneği (OHSAD) Board Member

**Seymur Tari**

Carries out duties in the Boards of MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş., Mavi Giyim ve Sanayi A.Ş., Flo Mağazacılık ve Pazarlama A.Ş., Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. and Pizza Restaurantları A.Ş.

**Esat Göktekin Dinçerler**

Carries out duties in the Boards of Koton Mağazacılık Tekstil ve Ticaret A.Ş. and Mikro Yazılım A.Ş.

**Hatice Hale Özsoy Bıyıklı**

Carries out duties in the Boards of MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş. and Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş.

**Arif Kerem Onursal**

Carries out duties in the Boards of Flo Mağazacılık ve Pazarlama A.Ş., Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. and Natura Gıda Sanayi ve Tic. A.Ş.

**Haydar Sancak**

Carries out several duties in the Boards of the companies within or outside of the group, namely as the Chairman of the Board of Directors of Sancak İnşaat Turizm Nakliyat ve Dış Tic. A.Ş., the Deputy Chairman of the Board of Directors of Sancak Enerji Hizmetleri A.Ş., the Deputy Chairman of the Board of Directors of Sanport Gayrimenkul Geliştirme İnşaat Tic. A.Ş.

The CVs of the members of the Board of Directors are available both on the 2017 Annual Report and the Company website, including their duties outside of the Company.

Whereas we have one female member on the Board of Directors now, we're planning to increase the number of female members in the upcoming years.

The authorities of Board members are defined in the Articles of Association and no one in the Company is given an unlimited decision making power.

Currently, we have one executive member in the Board of Directors (Muharrem Usta).

**5.2. Working Principles of the Board Of Directors**

It's aimed to carry out the duties of the Board in accordance with the Corporate Governance Principles in a transparent, accountable, fair and responsible manner. In this context, in line with the Corporate Governance Principles, the Board meetings are conducted regularly (usually every month) in a way that it can efficiently carry out its duties. The members of the Board also hold meetings whenever it is necessary. The provisions of the Turkish Commercial Code and the Capital Market Regulations are applied regarding the quorum during the Board meetings.

Board members aim attending every meeting and present their opinions. When there are dissenting opinions on reasonable and detailed grounds regarding the questions asked or different opinions expressed by Board members, these are recorded in the meeting minutes.

During each Board meeting, the agenda of the following meeting is designated and if necessary, issues regarding new developments are also included in the agenda.

However, before the meeting, a Board member may propose the Chairman of the Board to make a change in the agenda.

Dates of the Board meetings are determined at the beginning of the year and accordingly the Board members are notified of the meeting dates.

Each member in the Board has one voting right and Board Members do not have the right of weighted vote and/or power of veto. Board meetings are held in accordance with Article no 4.4.6 of Corporate Governance Principles.

Meeting minutes that have the nature of trade secrets are not disclosed to the public. However all of the critical matters resolved are announced through public disclosures.

During 2017, there has been no transactions that are in the scope of the significant transactions as described in Article 1.3.9 of Corporate Governance Principles.

In accordance with the Articles of Association, the regulations of the Capital Markets Board regarding corporate governance are complied in important transactions, related party transactions and procedures regarding warrant, hypothec, and mortgage in favor of third parties.

While 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, the total annual responsibility limit of the relevant insurance is below the amount stated in Corporate Governance Principles.

### **5.3. The Number, the Structure and the Independence of the Committees within the Board Of Directors**

According to the Article 16 of the Articles of Association titled “The Duties and the Responsibilities of the Board of Directors”, and as part of the Capital Markets Regulations Corporate Governance Principles; in order to ensure that the Board carries out its duties and responsibilities properly, the Committees that are required by law or deemed appropriate by the Board will be established including the Risk Committee, the Audit Committee, the Corporate Governance Committee, the Nomination Committee, and the Remuneration Committee within the Board of Directors. However; in case Nomination and Remuneration Committees cannot be established due to the structure of the Board of Directors, the Corporate Governance Committee carry out their duties. The responsibilities, operating principles and Committee members are determined by the Board and announced to the public. All members of the Audit Committee and the Chairman of the other Committees should be selected from the independent members of the Board.

In this context, by the decision of the Board dated January 15, 2018 and numbered 2018/3; The Audit Committee, The Corporate Governance Committee and The Early Detection of Risk Committee have been established within the Company. It's the Corporate Governance Committee's responsibility to fulfill the duties of both the Nomination Committee and the Remuneration Committee. The members of these Committees will be appointed in the upcoming term.

The duties and working principles (Charters) of the Committees are already published, while, in accordance with the Articles of Association, changing these are subject to the approval of the General Assembly. The Committee Charters are available on the Company's website.

Due to the fact that the Committee appointments were not completed in 2017, the Board evaluation of the working principles and efficiency of the Board Committees were not prepared yet. However, in the upcoming terms, the aforementioned evaluation will be published as an appendix to the Corporate Governance Compliance Report and the investors will be informed about the frequency of the Committee meetings, their operations in the operating period and the procedures they follow in these operations.

#### **5.4. Risk Management and Internal Control Mechanism**

We are exposed to a number of risks in our operations, including market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with our operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

On the other hand, the main purpose of the Risk Committee is to help the Board of Directors in the early detection of the risks that may jeopardize the existence, development and the continuation of the Company, the enforcement of the appropriate risk management strategies, and the establishment of a Committee of experts for risk management, as well as carrying out other duties stated in the regulations.

The Risk Committee submits written reports to the Board of Directors as soon as possible including the observations and the suggestions regarding their own area of responsibility. Their duties include;

- Identifying the current and potential operational, strategic and other risks, and preparing suggestions to take the necessary measures regarding these risks,
- Building risk management systems, and preparing suggestions to improve the systems regarding building the organizational structure in the Company and increasing performance,
- Offering solutions for the risks to the Board of Directors and the Audit Committee,
- Identifying, evaluating and monitoring the current and potential risk factors that might prevent the Company from reaching its goals in the context of corporate risk management system,

identifying the principles regarding risk management in compliance with the risk profile of the Company, using them in the decision making mechanisms,

- According to the probability and impact calculations, identifying the risks in this Company that should be managed, shared or abolished,
- Expressing opinions to the Board of Directors on establishing the internal control systems, including the processes, of the risk management and information systems that could minimize the impact of the risks which might affect the beneficiaries of the Company, namely the stakeholders,
- Integrating the risk management and internal control systems into the corporate structure of the Company,
- Revising the risk management systems at least once a year, making sure that the practices of the relevant units that are responsible for risk management are carried out in compliance with the decisions of the Risk Committee,
- Diagnosing the technical bankruptcy in an early stage, warning the Board of Directors in this regard, offering suggestions regarding the precautions to be taken,
- Submitting a report to the Board of Directors every two months with a status evaluation, indicating the threats if they exist, offering solutions in this regard and sending this report to the auditor.

The Audit Committee, on the other hand, determines the methods and the criteria to be applied in investigating the complaints regarding the independent audit, accounting and internal control systems of the Company, resolving them, evaluating the notices of the employees in confidence.

In addition to these, the duty of the current “Hospital Coordination Committee” is to audit the duties that are carried out by the auditing unit according to the internal auditing guidelines and submitting the relevant reports to the Board in this context.

The internal auditing unit within the Company that operates under the Hospital Coordination Committee carries out duties within the scope of the internal auditing guidelines. In this context, the relevant unit was designed to improve the operations of the hospitals and to create added value by following the international “The Institute of Internal Audit” standards. It carries out duties independently and objectively. Furthermore, this unit audits each hospital once in one or two years and the newly opened hospitals within the first year of their inauguration. In case of a change in the general director position of the hospital, an audit is carried out within the 3-6 months of the change. In addition to that, the Committee also carries out the follow-up audits based on the results of the aforementioned audits.

The Disciplinary Committee carries out the auditing process regarding the employee disciplinary processes in the Company and its subsidiaries. In this context, all employees of the Company and its

subsidiaries are subject to the principles stated in the “Disciplin Committee and its Procedures of Operation”.

### **5.5. Strategic Goals of the Company**

The duties and the responsibilities of the Board members are stated in the Articles of Association of the Company. The duties and responsibilities of the Board include designating the strategic goals of the Company; creating, coordinating and auditing the relevant practices; reviewing the activities and past performances.

Related departments prepare and submit their budgets and business plans to the Board of Directors annually. The results of the operations, which are conducted in accordance with the plans throughout the year, are continuously compared with the budget that was approved by the Board of Directors and the reasons of the deviations are analyzed.

### **5.6. Financial Benefits**

In accordance with the decisions taken at the Ordinary General Assembly meeting dated March 31, 2017, the current members of the Board of Directors are not paid any kind of salary for their services as Board members. Apart from that, there aren't any kind of payment or benefit provided to the Board of Directors. On the other hand, the salaries of the independent Board members will be adequate to maintain their independence.

In accordance with the Article 4.6.5 of Corporate Governance Principles, the remunerations and all other benefits provided to Board members and managers having administrative responsibilities are made public through our annual report. However, the declaration is not made separately for each person, but a cumulative amount is disclosed separately for Board members and managers having administrative responsibilities.

The Company has not lend any money, given any loan, extended the maturity of the loans or credits, improved the conditions of the loans, given any loan under the name of an individual loan through third parties or given guarantee such as bail to a Board member or to the managers having administrative responsibility.

While there is no Nomination Committee established within the Board of Directors, in line with the Corporate Governance Principles, responsibilities of this Committee are fulfilled by the Corporate Governance Committee.

The Remuneration Policy below is also available on the Company website.

“Purpose of the remuneration policy is ensuring that the Company's practices regarding remuneration are planned and carried out in accordance with the applicable legislation, the scope and nature of the Company's activities and the strategies and long term targets of the Company.

The Board members shall be paid fees in the amounts to be annually determined by the Board of Directors. While determining the salary level of a Board member, the factors such as the responsibilities of that Board member in the decision-making process and the know-how, the skills and the competencies he/she must have are going to be taken into consideration. Also, comparisons will be made with the salary levels of the Board members of the similar companies in the sector.

Payments to the employees who are in charge of administrative matters shall be annually determined by the Board of Directors. Payments to the employees who are in charge of administrative matters shall be planned with a view to promote the achievement of the Company's short and long term targets and sustainable performance. Remunerations shall be in compliance with the ethical values, internal balances and strategic goals of the Company. Employees who are in charge of administrative matters shall be remunerated in a fair manner, taking into consideration the level of responsibility they incur.

Bonus payments are payments made to increase the efficiency of the employees for the purpose of reaching the corporate goals, ensuring the sustainability of performance, emphasizing individual performance and thereby identifying the successful employees and awarding the employees who create added value within the Company. The intention is granting higher salary increases and bonuses to employees whose performance levels exceed the expected levels as per the results of the performance evaluations. Remuneration and bonus schemes shall be based on the performance evaluations for the relevant periods, and performance based payments, including bonus payments shall not be guaranteed in advance.

Board members and employees who are in charge of administrative matters shall not be eligible for obtaining loans or credits and no guarantees, sureties or other securities shall be granted in favour of them.

The aggregate amount paid to the Board members and employees who are in charge of administrative matters during the year shall be submitted to the information of the shareholder during the first General Assembly to be held pursuant to the provisions of the applicable legislation and shall be disclosed to the public within the scope of the public disclosure of the financial reports.