

The Decree of the Council of Ministers 2016/9429 dated 17.10.2016, regarding the process and principles of the structure and operation of the Turkish Wealth Fund Management Company has been published in the official gazette dated 9.11.2016 numbered 29883.

Decree regarding the process and principles of the structure and operation of the Turkish Wealth Fund Management Company

Section One Purpose, scope, basis, definitions and abbreviations

Purpose and scope

Article 1 (1) The purpose of this Decree is to set forth the process and principles of the structure and operation of the Turkish Wealth Fund Management Company [*Türkiye Varlık Fonu Yönetimi Anonim Şirketi*].

Basis

Article 2 (1) This Decree is prepared on the basis of the article 3 of the Law numbered 6741 and dated 19.8.2016 and named Establishment of Turkish Wealth Fund Management Company and Amendments in Certain Laws.

Definitions and abbreviations

Article 3 (1) For the application of this Decree;

- a) Sub Fund: Each fund established under the Turkish Wealth Fund,
- b) Fund: Turkish Wealth Fund and its sub funds,
- c) Fund establishment certificate: Establishment document to be prepared for each of the sub funds to be established under the Turkish Wealth Fund,
- d) Prospectus: The prospectus of the Turkish Wealth Fund,
- e) Law: Law numbered 6741 and dated 19.8.2016 and named Establishment of Turkish Wealth Fund Management Company and Amendments in Certain Laws,
- f) POAASA: Public Oversight Accounting and Auditing Standards Authority,
- g) Portfolio: All assets and transactions stated in the article two paragraph three and article four paragraph one of the Law,
- h) Company: Turkish Wealth Fund Management Company,
- i) TAS/TFRS: Turkish Accounting Standards/Turkish Financial Reporting Standards and their addendums and interpretations,
- j) TCC: Turkish Commercial Code dated 13.1.2011 and numbered 6102,
- k) TWF: Turkish Wealth Fund.

Section Two Operational Principles of the Company

The Company and permitted activities of the Company

Article 4 (1) The main activities of the Company are; establishment and management of the TWF and sub funds, which shall perform the activities stated in the second paragraph including those stated in the Law and developing projects, project based fund raising, providing external project credit, establishing domestic and foreign partnerships and transactions providing fund by way of other methods. The Company can realize

research activities and cooperation with national and international institutions within the scope of these activities.

(2) Besides the aims stated in the strategic investment plan, the Company may realize the below mentioned activities at primary and secondary national and international markets by taking into consideration the aim to take steps which build confidence in the markets and liquidity, investment, risk and return preferences:

a) The sale and purchase of shares of domestic and foreign companies, the shares and debt instruments belonging to issuers established in Turkey and abroad, precious metals and commodity based issued capital market instruments, fund participation units, derivatives, lease certificates, real estate certificates, specially designed foreign investment instruments and other instruments,

b) All kinds of money market transactions,

c) The evaluation of real estate and rights based on real estate together with all kinds of intangible rights,

ç) All kinds of project development, project based fund raising, providing external project credit and transactions providing fund by way of other methods, and

d) All kinds of commercial and financial activities.

The Company can participate in national investments and investments to be made by other countries and/or foreign companies in international areas.

(3) The activities mentioned in the paragraphs above can also be realized by the Company or its subsidiaries through the TWF or sub funds affiliated to the TWF.

(4) The head office of the Company is in Istanbul. The Company may open branches, agencies, contact offices and similar places domestically and abroad by way of a resolution of the board of directors.

Operational principles

Article 5 – (1) The Company shall supervise by taking into consideration the objective good faith, attention and discretion principles the interests of the funds which it has established and is managing while carrying out its activities. Within this framework, it has to comply with the following principles:

a) The Company and fund managers shall in its investment decisions comply with the investment principles determined by the Law, strategic plan, prospectus, certificate of incorporation and articles of association. The documents related to these decisions shall be kept within the Company for at least 5 years.

b) The Company and fund managers shall compose and manage the portfolio in compliance with the investment strategy determined in the strategic plan, prospectus, incorporation certificate and articles of association.

c) The fund managers cannot take advantage by means of commission, discount and similar for the benefit of itself or third persons from an investment operation made for the portfolio.

ç) The Company and company employees cannot do any legal transaction on the assets in the portfolio, other than the portfolio management purpose, for the benefit of its own or third parties.

d) The Company shall take measures regarding the prevention of the realization of transactions by persons employed by itself in any way for their own name and account in order for them to benefit from the opportunities of the Company or the TWF outside of the ordinary employment relationship.

e) The Company shall take preventive measures for the beneficial use of the research results for the investment and the information obtained during the fund management by the Company or third parties before the funds.

The organizational structure of the Company and committees

Article 6 – (1) The necessary units for the Company and funds, shall be composed by a resolution of the board of directors. The job descriptions and work-flow of these units shall be approved in written form by a resolution of the board of directors.

(2) An advisory board shall be composed within the Company. The board shall meet at least twice a year. The function and working principles of the board shall be determined by the board of directors.

(3) An executive board can be composed within the Company by a resolution of the board of directors. The limits of the duty and authority of this board shall be determined by the board of directors.

(4) An investment committee shall be composed for each sub fund which will be established within the framework of the TWF. The investment committees shall constitute of at least one board of directors member, general manager and portfolio manager. Apart from these, also persons within or outside the Company who comply with the investment strategy of the related sub fund can be employed at these investment committees. The duties and authorizations of the investment committees are specified in the prospectus of the TWF and related sub fund incorporation certificate.

The Income of the Company

Article 7 – (1) The main income sources of the Company are set out below.

- a) Income based on the valuation of the Company’s share capital.
- b) The fund management fees collected from the managed fund and portfolios.
- c) Income obtained within the scope of other activities of the Company.
- ç) Other incomes.

Principles regarding the strategic investment plan

Article 8 – (1) A three years strategic investment plan comprising the Company and its subsidiaries along with the TWF and the sub funds to be established within the TWF shall be prepared by the board of directors and submitted to the Council of Ministers.

Prevention of conflict of interest

Article 9 – (1) The Company shall behave fair and honest by taking care of the interest of the portfolio it manages and the integrity of the market while continuing its activities.

(2) In order to be able to prevent conflict of interest, the Company shall:

- a) Compose organizational structuring and decision making processes and take the necessary measures in order to minimize the conflict of interests.
- b) Define the conflict of interest which can arise between its own staff, between its staff and the portfolio it manages or between the portfolios it manages, compose a written conflict of interest policy including the measures which can be taken in order to prevent conflict of interests and the procedures to be followed when conflict of interests cannot be prevented and this policy shall be subject to the decision of the board of directors.

Section Three Internal systems

Risk management system

Article 10 – (1) A risk management system shall be composed for the activities of the Company and the portfolios under its management and the related procedures will be put in written form. The procedures and principles regarding the risk management system shall come into force by the approval of the board of directors of the Company. The unit providing the risk management service within the Company shall be independent from the unit responsible for the portfolio management.

Internal Control System

Article 11 – (1) An internal control system shall be composed in a form which enables the monitoring of the risks identified within the Company. The procedures and principles regarding the internal control system shall come into force by the approval of the board of directors of the Company.

Work-flow and emergency and contingency plan

Article 12 – (1) The work-flow regarding all activities of the Company and the emergency and contingency plan shall be put in written form and shall come into force by the approval of the board of directors of the Company.

Section Four Provisions regarding the company directors and staff

The conditions regarding company directors and staff

Article 13 – (1) The Company staff shall compose of: a general manager, vice presidents and expert staff together with other staff.

(2) The chairman of the board of directors of the Company and its members along with the general manager shall bear the conditions required by the Law.

(3) The board of directors is entitled to determine the conditions required for the Company staff.

The principles to be complied with by the staff and confidentiality

Article 14 (1) The directors and staff of the Company shall show the necessary professional care and diligence in its working and decision making, stay away from conflict of interests, avoid the business and transactions that may affect their correctness and objectivity.

(2) The directors and staff of the Company cannot disclose secrets to third parties, which they have learned because of their work and cannot use them for its own or third parties' interest.

Section Five

Liabilities of the Company

Financial statements and independent audit

Article 15 (1) The Company, other companies to be established by the Company, the TWF and the sub-funds to be established within the TWF based on the TAS/TFRS which are published by the POAASA with the preparation of the financial statements to be prepared annually.

(2) The Board of Directors of the Company may also decide to prepare the financial in accordance with the international reporting standards in case it is necessary.

(3) The independent audit of the financial statements of the Company, the other companies to be established by the Company, the TWF and the sub funds to be established within the TWF are made by the institutions authorized to independently audit in the capital markets.

Audit

Article 16 (1) The audit of the Company, the other companies to be established by the Company, the TWF and the sub funds to be established within the TWF are made in accordance with paragraph 2 and 3 of article 6 of the Law.

The book, the registration and the document layout

Article 17 (1) The Company must keep the books and records which are obliged pursuant to the TCC and Tax Procedure Law dated 4/1/1961 and numbered 213, keep them pursuant to article 82 of the TCC and comply with the other regulations regarding bookkeeping and accounting activities which it is subject to. The board of directors of the Company is entitled to decide to keep other books and records arising from the nature of the work and related to these, compose work-flow and procedures.

Public disclosure and reports to be prepared

Article 18 (1) The Company publishes the annual activity reports of itself and the TWF on the website of the Company. The content of the activity reports is determined by the board of directors.

Corporate Governance Regulations

Article 19 (1) Committees of corporate governance, audit and early detection of risk are established within the Company within the framework of the first paragraph of article 6 of the Law, within the scope of the Capital Markets Law numbered 6362 and dated 6/12/2012 in accordance with the corporate governance regulations.

Section Six

The principles regarding the funds and fund management

The establishment of the TWF and sub funds and the fund prospectus

Article 20 – (1) Sources of the TWF comprise of:

a) The institutions and assets which fall within the scope and program of privatization and decided by the High Board of Privatization to be transferred to the TWF and the cash surplus decided by the High Board of Privatization to be transferred from the Privatization Fund to the TWF,

b) The surplus income, resources and assets which are in the possession of public entities and institutions within the public sector and which are decided by the Council of Ministers to be transferred to the TWF or managed by the Company,

c) The funding and sources which are provided from national and international money and capital markets by the TWF without seeking for the permissions and approvals stated in the related legislation,

ç) The funding and sources provided through other resources in addition to the money and capital markets.

(2) The assets of the TWF and the assets and rights transferred to be managed by the Company are separate from the Company's assets. The TWF's assets shall not be provided as collateral or pledged, not be disposed for another purpose, cannot be subject to seizure without excepting the purpose to collect public receivables, imposed to an interim injunction or included in a bankrupt's estate for any other purpose other than the businesses and transactions regarding the operations of which the TWF and sub funds are entitled to engage, including the procurement of finance from money and capital markets provided that such transactions shall be conducted on the account of the TWF. The debts and obligations of the Company to third persons and the receivables of the TWF from the same third persons may not be set off against each other.

(3) The assets and rights transferred to the TWF and any kind of values obtained as a result from the activities carried out, which can be subject to the registration shall be registered to the related registry or land registry. The TWF is deemed to have a legal personality limited to the registration transactions within the scope of this article.

(4) The TWF shall be established by the registration of the fund's prospectus, which is prepared by the Company, to the trade registry. The TWF and sub funds' establishment, structure, functioning, management and the transactions to be made are determined within the scope of the provisions of the prospectus of the TWF and articles of association of the Company. In the process of the establishment of each sub fund, the board of directors prepare a fund establishment certificate. The format and the minimum content of the fund establishment certificate are determined by the board of directors of the Company. The prospectus includes, as a minimum, the investable assets, portfolio management principles, the principles regarding the management and custody of the portfolio, the principles regarding the valuation of the portfolio, the principles regarding the expenses to be made from the assets of the fund regarding the sub-funds of the TWF.

Fund Management Agreement

Article 21 (1) A fund management agreement is made with the institution which is responsible for the fund regarding the funds to be decided to be managed by the Company. It is voluntary to make a fund management agreement between the Company and the TWF regarding the TWF and the sub funds. The principles regarding the fund management fee to be paid to the Company by the sub funds is included in the fund portfolio, fund establishment certificate and fund management agreement in case that it exists.

(2) The fund/portfolio management agreement shall be signed in case a service has been obtained from the institutions which are entitled pursuant to the related legislation in order to manage the portfolio of the sub funds.

Custody of the assets

Article 22 (1) The information regarding whether the fund assets are taken into custody at an authorized portfolio custodian domestically or abroad on the basis of a sub fund or not, shall be included in the prospectus and fund establishment certificate.

The management of the fund portfolio assets

Article 23 (1) The usage of the administrative and fiscal rights of the assets of the fund portfolio shall be executed by the Company or the institution which provides outsource service. The principles regarding this shall be included in the prospectus and the fund management certificate.

Procurement of finance by the TWF

Article 24 (1) The TWF can procure source and finance from all kinds of domestic and abroad capital and monetary markets without searching for permission and approvals stated in the relevant legislation.

(2) In case the Company requires, the methods stipulated in the Law numbered 6362 and relevant legislation can be followed on the issuance of capital market instruments in a way special to each issuance.

(3) A warrant, pledge, guarantee and a mortgage can be created on the portfolio of the TWF while procuring finance.

(4) In the decision making process of finance procurement, the conditions of issuance and other similar issues shall be included in the prospectus and the establishment certificate of the sub funds.

The principles regarding the audit of the funds

Article 25 (1) The financial statements of the TWF and sub funds and their audit procedures and principles are determined by the board of directors.

The principles regarding the termination and liquidation of the funds

Article 26 (1) Sub-funds can be established temporary or permanent. Temporary sub funds shall be liquidated at the time that is determined in the establishment certificate and the permanent sub funds shall be liquidated by a decision taken by the board of directors regarding liquidation.

Section Seven

Other Provisions

The principles regarding real estate investments and valuation

Article 27 (1) The Company can agree with real estate valuation companies which is included in the list of the Capital Markets Board in order to assess real estates, real estate project or a value of a right and benefit at a specific date affiliated with a real estate by analyzing the quality of the real estate which affects this value, the market and environmental conditions and within the frame of internationally accepted valuation standards. A service can be obtained from the expert institutions regarding the assets except from the real estates which are included in the fund portfolio, real estate projects or a value of a right and benefit which is affiliated with a real estate.

Enforcement

Article 28 (1) This Decision enters into force on the date of publication.

Execution

Article 29 (1) The Council of Ministers executes the provisions of this Decree.