

Decree of the Council of Ministers: 2016/9429

Date: 17 October 2016

DECREE REGARDING THE PROCESS AND PRINCIPLES OF THE STRUCTURE AND OPERATION OF THE TURKEY WEALTH FUND MANAGEMENT COMPANY

Official Gazette Dated: 9 November 2016

Official Gazette Numbered: 29883

Enactment of the attached Decree Regarding The Process And Principles Of The Structure And Operation Of The Turkey Wealth Fund Management Company; Upon the letter of the Ministry of Finance (Privatization Administration) dated 14/10/2016 and numbered 6904, it was decided by the Council of Ministers on 17/10/2016 according to the article 3 of the Law No. 6741 dated 19/8/2016.

Recep Tayyip ERDOĞAN
PRESIDENT

Binali YILDIRIM
PRIME MINISTER

DECREE REGARDING THE PROCESS AND PRINCIPLES OF THE STRUCTURE AND OPERATION OF THE TURKEY 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 Turkey Wealth Fund Management Company.

Basis

ARTICLE 2 - (1) This decree is prepared on the basis of article 3 of the Law numbered 6741 and dated 19.08.2016 and named, Establishment of Turkey 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 Turkey Wealth Fund,
- b) Fund: Turkey Wealth Fund or its sub funds,
- c) Fund establishment certificate: Establishment document to be prepared for each of the sub funds to be established under the Turkey Wealth Fund,
- d) Prospectus: The prospectus of the Turkey Wealth Fund,
- e) Law: Law numbered 6741 and dated 19/8/2016 and named Establishment of Turkey 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: Turkey 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: Turkey 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 may 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 in 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,

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

e) All kinds of commercial and financial activities.

The Company may 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 may 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 considers the interests of the funds it establishes and manages while carrying out its activities on the basis of objective goodwill, diligence and prudence principles. In this context, the following principles are complied with:

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, certificate of incorporation and articles of association.

c) Fund managers may not provide commissions, discounts or similar benefits in favor of their own or third parties due to an investment transaction for portfolios.

d) The Company and company employees may not take any legal action on the assets in the portfolio, except for the purpose of portfolio management, in favor of themselves or third parties.

e) The Company shall take measures to prevent persons employed in any way from trading on their own behalves by taking advantage of the Company's or TWF's facilities outside of the ordinary employment relationship.

f) The Company shall take measures to prevent the results of investment research and information obtained during fund management from being used in favor of the Company or third parties prior to 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 workflows of these units are 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 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 to be established under the TWF. The investment committees shall include at least one board of directors member, a general manager and a portfolio manager. In addition, persons from within or outside the Company who are in compliance with the investment strategy of the related sub-fund may also be appointed to the 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) Fund operating and management fees collected from managed funds and portfolios.
- c) Proceeds from other activities of the Company.
- d) Other income.

Principles regarding the strategic investment plan

ARTICLE 8 - (1) A three year strategic investment plan comprising the Company and its subsidiaries along with 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 in a manner which is fair and honest by acting in the best interest of the portfolio it manages and the integrity of the market while continuing its activities.

(2) In order to prevent conflicts of interest, the company shall;

- a) Establish an organizational structure and decision-making processes to minimize conflicts of interest and take the necessary measures in this area.
- b) Define the conflicts of interest which may arise between its own staff, between its staff and the portfolio it manages, compose a written conflict of interest policy including the measures which may be taken in order to prevent conflicts of interest and the procedure to be followed when conflicts of interest 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 established 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 upon the approval of the board of directors of the Company. The unit providing the risk management services within the Company shall be independent of the unit responsible for the portfolio management.

Internal control system

ARTICLE 11 - (1) An internal control system shall be established 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.

Workflows and emergency and contingency plan

ARTICLE 12 - (1) The workflow 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 Company's Board of Directors is the President. One of the members of the board of directors can be appointed as the vice president by the President. The members of the board of directors and the general manager shall bear the conditions required in the relevant Presidential Decree.

(3) The board of directors is authorized 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 demonstrate the necessary professional care and diligence in their working and decision making, avoid conflicts of interest and not engage in business and transactions that may affect their judgment and objectivity.

(2) The directors and staff of the Company may not disclose secrets they have learned in the course of their work to third parties and may not use these secrets for their own benefit or the benefit of third parties.

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 sub-funds to be established within the TWF, rely on TAS/TFRS published by POAASA in the preparation of its annual financial statements.

(2) The Company's board of directors may also decide to prepare financial statements, if necessary, in accordance with international financial reporting standards.

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

Audit

ARTICLE 16 - (1) The audit of the Company, other companies to be established by the Company, the TWF and 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, record keeping and document layout

ARTICLE 17 - (1) The Company is required to keep the books and records that it has to keep in accordance with the Turkish Commercial Code and the Tax Procedure Law No. 213 dated 4/1/1961, to keep these documents in accordance with the article 82 of the TCC and to comply with the other regulations that are subject to the accounting records and transactions related to its activities. The Board of Directors of the Company is entitled to decide on keeping other books and records arising from the nature of the work and to draw up related workflows and procedures.

Public disclosure and reports to be prepared

ARTICLE 18 - (1) The Company publishes the annual reports of itself and the TWF on the Company's website. The content of the annual 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

Principles Regarding Funds and Fund Management

Establishment of the TWF and sub-funds and fund prospectus

ARTICLE 20 - (1) Sources of TWF comprise of;

a) The institutions and assets included in 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 to be transferred from the Privatization Fund to the TWF,

b) The surplus income, resources and assets under the disposal of public entities and institutions, and which the Council of Ministers decides to transfer to the TWF or are to be managed by the Company,

c) The funding and resources provided by the TWF from domestic and international capital and money markets without seeking permits and approvals under the relevant legislation,

d) The funding and resources provided through means other than 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 assets of TWF shall not be provided as collateral or pledged, not be disposed for another purpose, cannot be foreclosed, have precautionary measures imposed on them and cannot be included in bankruptcy proceedings including for the purpose of collection of public receivables, except for business and transactions relating to the activities that the TWF and its sub-funds are authorized to perform, including obtaining financing 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 parties and receivables of TWF from the same third parties may not be offset against each other.

(3) The assets and rights transferred to the TWF and any other assets that may be subject to registration obtained as a result of the activities carried out by the Company shall be registered

in the name of TWF in the relevant registry or land register. The TWF shall be deemed to have legal personality, limited to the registration procedures within the scope of this article.

(4) The TWF shall be established upon registration of the TWF prospectus which is prepared by the Company to the trade registry. The TWF and sub-funds' establishment, structure, operation, management and the transactions to be made are set out in the TWF prospectus in accordance with the provisions of the Company's articles of association. In the process of establishment of each sub-fund, the board of directors prepares a fund establishment certificate. The format and minimum content of the fund establishment certificate are determined by the board of directors of the Company. At the very least, the prospectus contains assets that can be invested in relation to sub funds affiliated to the TWF, and portfolio management principles, principles regarding the management and custody of the portfolio, principles regarding the valuation of the portfolio, and principles regarding the expenditures that can be made from the fund assets.

Fund Management Agreement

ARTICLE 21 - (1) A fund management contract is made with the institution responsible for the funds decided to be managed by the Company. The conclusion of a fund management agreement between the Company and the TWF regarding TWF and sub-funds is optional. The principles regarding the fund management fee to be paid to the Company by the sub funds is included in the fund's prospectus, the fund establishment certificate and the fund management agreement, if any.

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

Custody of the Assets

ARTICLE 22 - (1) The information regarding whether the fund assets will be taken into custody under an authorized portfolio custodian domestically or abroad on a sub-fund basis or not shall be included in the prospectus and the fund establishment certificate.

The management of fund portfolio assets

ARTICLE 23 - (1) The administrative and financial rights of the assets in the fund portfolio shall be exercised by the Company or the provider of external services. The principles related to this shall be laid down in the prospectus and in the fund establishment certificate.

Procurement of finance by the TWF

ARTICLE 24 - (1) The TWF may provide financing and funding from all kinds of domestic and international capital and money markets without seeking permits and approvals under the relevant legislation.

(2) If the Company requires, the methods stipulated in the Law No. 6362 and related legislation may be followed on the issuance of capital market instruments specific to each issuance. In this case, the board fee is not paid within the framework of Law No. 6362.

(3) Warrants, pledges, bailouts and mortgages may be established on the TWF portfolio while funding is provided.

(4) Decision making processes, issuance conditions and other similar issues in financing shall be included in the prospectus and sub fund establishment certificates.

Principles regarding the audit of 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.

Principles regarding the termination and liquidation of the funds

ARTICLE 26 - (1) Sub funds may be established for a period of time or indefinitely. Timed sub funds shall be liquidated at the end of the period specified in the establishment certificate, and indefinite sub funds shall be resolved by a decision taken by the board of directors regarding liquidation.

SECTION SEVEN

Other Provisions

Principles regarding real estate investments and valuation

ARTICLE 27 - (1) The Company may enter an agreement with real estate appraisal companies listed on the Capital Markets Board list in order to analyze the value of the real estate, real estate project or the rights and benefits at a certain date affiliated with a real estate property, the nature of the real estate that affects this value, the market and environmental conditions within the framework of internationally recognized valuation standards. Services may be obtained from specialized institutions for valuation services on assets included in the fund portfolio, other than real estate, real estate projects or rights and benefits related to a real estate property.

Enforcement

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

Execution

ARTICLE 29 - (1) The provisions of this decision shall be executed by the Council of Ministers.