

Türkiye Wealth Fund Management Co.

ANNUAL REPORT 2 0 2 0



PRESIDENCY OF THE REPUBLIC OF TÜRKİYE
TÜRKİYE WEALTH FUND



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In our efforts to carry out investments with strategic importance to achieve our goals, we also add significant value to the deep-rooted institutions of our country. We are determined to pioneer sustainable socio-economic developments through further investment and production.

Situated at the crossroads of Asia, Europe, and Africa, with its robust industry, reforms, and investments in the transportation and infrastructure sectors and considerable breakthroughs from tourism to agriculture, science to technology, Türkiye is paving its way to becoming a financial and logistics hub in its region.

Thanks to efforts and investments in sustainable development, rising geostrategic position and value, Türkiye is steadily moving forward to achieve its goal of becoming one of the top ten largest economies in the world within the next decade. We are determined to pioneer sustainable socio-economic developments through further investment and production.

Over the last two years, we have been successfully continuing our fight against the negative consequences of the pandemic, as is the rest of the world. While ensuring our citizens' health and wellbeing, we made sure to prioritize and uphold other sectors such as tourism, education, production, and the public sector. As a result, the Turkish economy ended 2020 with a 1.8% growth rate, showing its strength and resilience against crises during a year of global economic contractions.

We continued our ventures to expand the Turkish economy further through investment, production, export, and employment. In our efforts to carry out investments with strategic impor-

tance to achieve our goals, benefiting from the public wisdom and knowledge, we also add significant value to the deep-rooted institutions of our country.

Established in 2016 to leverage our country's resources and realize their potential, the Türkiye Wealth Fund has added considerable value for our country by working with industry experts since its very first day. In addition, its solid institutional integrity has strengthened the financial infrastructure of Türkiye by increasing the value of the public assets in its portfolio and critical investments in strategic sectors.

As one of the most strategic institutions in our sustainable development journey, the Türkiye Wealth Fund continues steadfastly in its contributions to our efforts in building a country in line with our vision and targets for the years 2023, 2053, and 2071.

I would like to express my wholehearted gratitude to the Türkiye Wealth Fund and its role in building a stronger, more prosperous, and more independent Türkiye for future generations.

Recep Tayyip ERDOĞAN
President of the Republic of Türkiye

Board of Directors



Recep Tayyip ERDOĞAN
President of the Republic of Türkiye



Prof. Dr. Erişah ARICAN
Vice Chairperson



Alpaslan ÇAKAR
Member



A. Burak DAĞLIOĞLU
Member



M. Rifat HİSARCIKLIOĞLU
Member



Fuat TOSYALI
Member



Salim Arda ERMUT
Member & CEO

*Prof. Dr. Erişah ARICAN: Appointed as the Vice-Chairperson of the Board of Directors under Presidential Decision No. 2021/85 dated 29 January 2021, published in the Official Gazette No. 31380 dated 30 January 2021.

*Salim Arda ERMUT: Appointed as a Member of the Board of Directors and CEO under Presidential Decision No. 2021/138 dated 8 March 2021, published in the Official Gazette No. 31418 dated 9 March 2021.

*Alpaslan ÇAKAR: Appointed as a Member of the Board of Directors pursuant Presidential Decision No. 2021/253 dated 26 May 2021, published in the Official Gazette No. 31493 dated 27 May 2021.

Vision of Türkiye Wealth Fund

Wealth Funds in the World

Established first in Kuwait in 1953 and later on used as important investment institutions for states to achieve their various economic objectives, the total global asset size of the sovereign wealth funds has reached \$8 trillion as of 2020. Launched in the Middle East, developed in Asia, and then furthered with Western variations, sovereign wealth funds gained importance, especially after the global financial crisis in 2008, where they assumed great responsibility and filled an investment vacuum in a time where venture capitals and corporations reduced their activity.

The total size of the Türkiye Wealth Fund (TWF), one of the largest financial structures in Eastern Europe, the Middle East, and Africa, is \$296 billion as of the end of 2020. The central vision behind this financial capacity is to maximize the value of its assets, provide equity for strategic domestic investments, support the emergence of Turkish companies as regional and global leaders, and contribute to the enhancement of capital markets.

Structured using successful sovereign wealth funds around the world as a benchmark, the TWF serves the following purposes:

- Contribute to production and employment through investments,
- Support domestic companies and enable them to become regional and global players,
- Assist in financing large-scale public infrastructure projects,
- Take steps to deepen capital markets,
- Invest in sectors strategic to Türkiye, such as natural gas and oil, to ensure the security of supply.

The Türkiye Wealth Fund complies with the Santiago Principles, voluntarily adopted by all sovereign wealth funds. Per these guidelines, the TWF endorses the principles of public information, transparency, and good governance, thus, ensuring the use of democratic auditing and fund resources at the highest level.

Additionally, the TWF has initiated efforts to integrate sustainability and ESG (Environment – Social - Governance) factors into its investments and operations. In this effort to contribute to a more sustainable future, a holistic framework is being developed encompassing the TWF and its primary stakeholders, including portfolio companies.

Our Roadmap & Mandate

The TWF's roadmap and mandate consist of four main strategic objectives and four key resources.

Strategic Objectives

- 1 Enhance the Value of Assets Within the Fund**
The TWF monitors the performance of its portfolios and carries out additional operations to increase the value of its assets.
- 2 Provide Equity For Strategic Investments in Türkiye**
The TWF provides equity for investments in line with Türkiye's 2023 vision and other long-term objectives to reduce the current account deficit and increase its saving rate.
- 3 Carry Out Investments Supporting Türkiye's International Economic Strategies and Companies**
The TWF acts as the primary point of contact for large-scale foreign direct investors and their investments in Türkiye. The Fund aims to invest in regions aligned with Türkiye's international economic objectives and in domestic companies to transform into regional and global champions.
- 4 Reinforce the Improvement and Deepening of Financial Markets**
The TWF aims to make equity investments supporting financial markets and increase the depth and diversity of financial markets in the country.

Strategic Resources

- 5 Financing**
The TWF reduces the weighted average cost of capital by adopting the most appropriate and various financing models when making investments in line with the Fund's strategic objectives.
- 6 Corporate Governance**
The TWF operates with complete transparency and accountability, complying with globally accepted corporate governance standards and best practices. In this regard, it acts per its corporate governance principles and legal requirements in its corporate structure and operations.
- 7 Principles and Values**
TWF acts per the environmental, social, and governance principles in all its activities and operations as a responsible investor, in line with four fundamental values reflected in all its business and decision processes:
 - Serving the nation and creating value,
 - Accountability and transparency,
 - Discipline, professionalism, and cooperation,
 - Results-oriented.
- 8 Human Resources**
The TWF works with the principle of mutual value creation with field experts and aims to be a talent pool of Türkiye in the long term.

About the TWF and TWF Management Co.

The Türkiye Wealth Fund was established as an asset-based development fund to increase the value of the public assets of the Republic of Türkiye and contribute to economic growth by providing capital support to strategically important sectors and visionary projects in Türkiye.

The TWF aims to support the emergence of regional and global leaders from Turkish companies through strategic investments, contribute to improving financial markets, and leave a more robust economy for future generations.

Legal Basis

The Türkiye Wealth Fund Management Co. (TWF Management Co.) was established under Law No. 6741 on “Establishment of Türkiye Wealth Fund Management Company and Amendments on Certain Laws” published in the Official Gazette No. 29813 dated 26 August 2016. The provisions of Law No. 6741 stipulates that the main scope of operation of TWF Management Co. is “to establish and manage the Türkiye Wealth Fund and its sub-funds to contribute to the diversity and depth of investment instruments in capital markets, bringing domestic publicly owned assets into the economy, procuring foreign investment sources, and taking part in large-scale strategic investments.” Accordingly, the articles of association of TWF Management Co. were registered in the trade register on 22 December 2016.

As per Law No. 6741, TWF Management Co. is subject to private law provisions and is responsible for managing assets within the portfolio of the TWF. As per the Decision of the Council of Ministers No. 2016/9429, dated 17 October 2016, Article 20 Paragraph 3 stipulates that “the assets and rights transferred to the TWF and all other assets that may be subject to registration obtained as a result of the activities carried out by the Fund shall be registered in the name of the TWF in the relevant register or ledger. The TWF shall be deemed to have

a legal entity, limited to the registration procedures within the scope of this article.” According to Paragraph 2 of the same article, the assets of the TWF and asset rights transferred to be managed by TWF Management Co. are to be separated from the assets of TWF Management Co.

Per Article 1 of Law No. 6741 and the operational principles outlined in Article 4 of the Decision of the Council of Ministers, the “TWF Market Stability and Equilibrium Sub-Fund,” “TWF SME Financing Sub-Fund,” “TWF License and Loyalty Sub-Fund” and “TWF Mining Sub-Fund” were established in 2017, and the “TWF Management Co. BIST Venture Capital Investment Fund” was established in 2018 by TWF Management Co. to exist under the TWF; these sub-funds were declared in the Turkish Trade Registry Gazette No. 9547, dated 29 March 2018. The establishment, structure, operation, management, and activities of the sub-funds are outlined in the provisions of the internal regulation of the TWF and the articles of association of TWF Management Co. Furthermore, the name of the “TWF SME Financing Sub-Fund” was amended as “TWF Istanbul Financial Center Real-Estate Investment Sub-Fund” by an amendment published in the Turkish Trade Registry Gazette No. 9919, dated 30 September 2019.

Sub-Funds

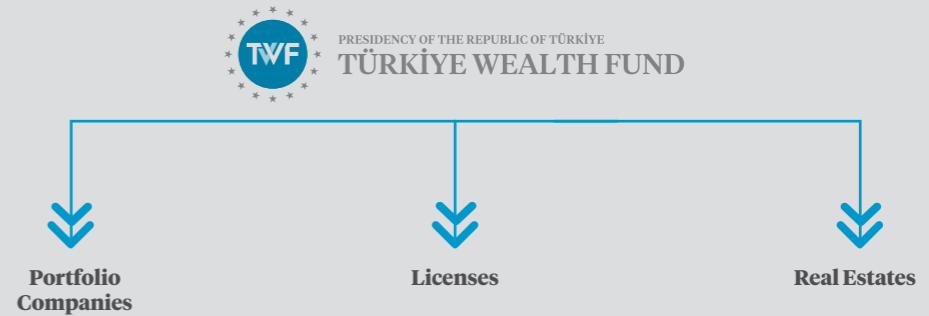
1. TWF Market Stability and Equilibrium Sub-Fund
2. TWF Istanbul Financial Center Real-Estate Investment Sub-Fund
3. TWF License and Loyalty Sub-Funds
4. TWF Mining Sub-Funds
5. TWF Management Co. BIST Venture Capital Sub-Fund

Under Presidential Decision No. 1 Article 37, dated 1 July 2018, the TWF was made into one of the institutions officially affiliated with the Presidency. With the Presidential Decision No. 2018/162, dated 11 September 2018, Article 13

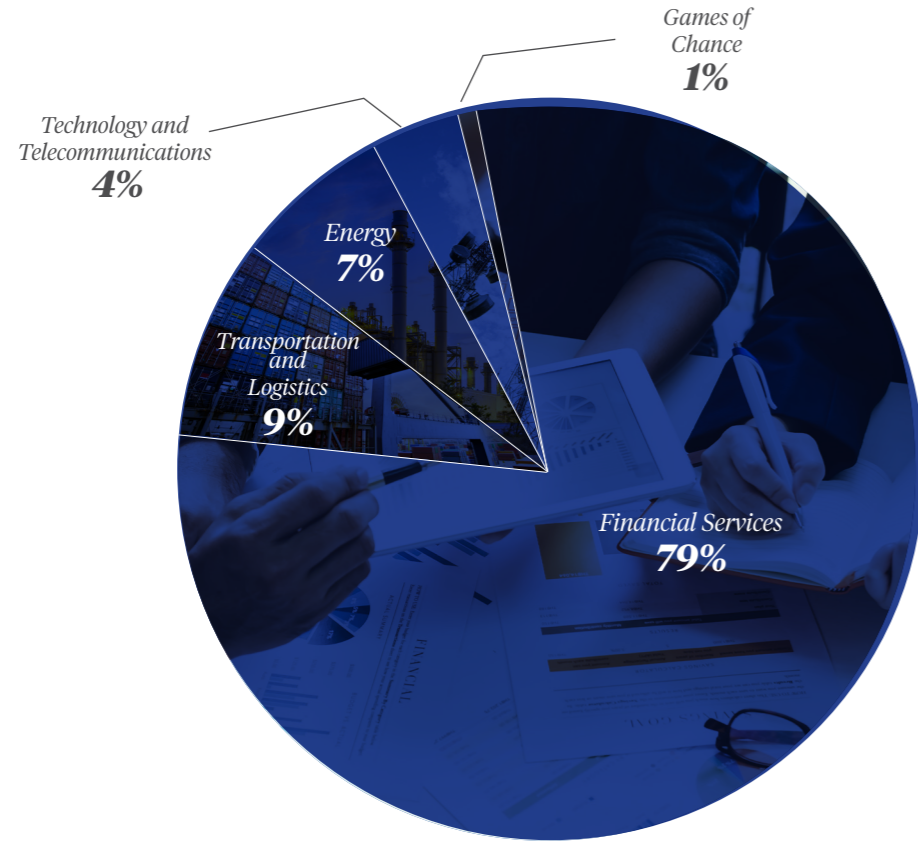
Paragraph 2 of the Decision Regarding the Process and Principles of the Structure and Operation of Türkiye Wealth Fund Management Company No. 2016/9429, dated 17 October 2016, was amended as follows: “The Chairperson of the Board of Directors of the Company is the President of the Republic of Türkiye. Any member of the Board of Directors may be appointed as the Deputy Chairperson by the President of the Republic of Türkiye. The Board Members and the CEO shall be required to meet the qualifications stated in the Presidential Decision.”

Capital and Shareholding Structure

The capital of TWF Management Co. is TRY 50 million; it is paid in full. All shares are the property of the Privatization Administration under the Ministry of Treasury and Finance of the Republic of Türkiye. No changes have occurred in the capital structure of TWF Management Co. during the reporting period. The TWF has no privileged share, nor has it acquired its shares.



Portfolio

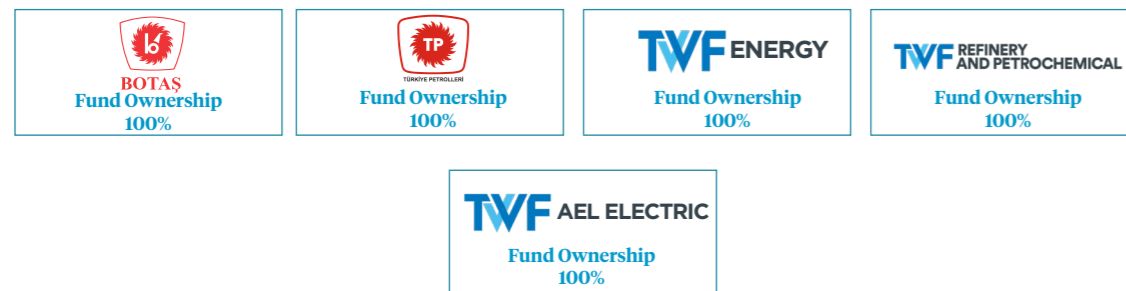


The TWF's total assets' sectoral distribution.

Financial Services



Energy



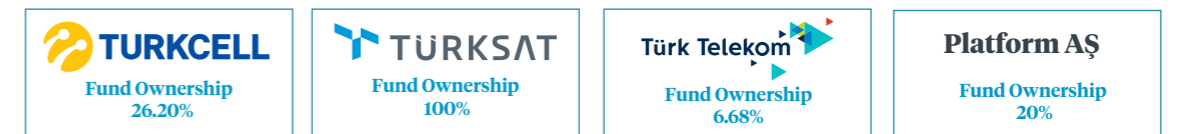
Transportation and Logistics



Mining



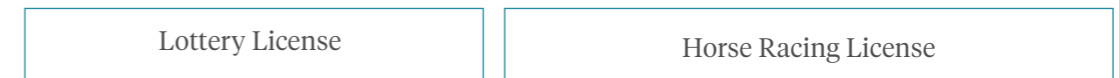
Technology and Telecommunications



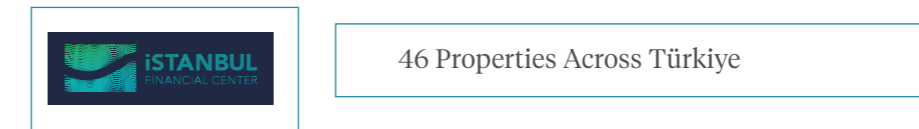
Agriculture and Food



Games of Chance



Real Estate



Companies Publicly Traded in Borsa Istanbul

Türkiye Halk Bankası A.Ş.	75.29% BIST
Türk Hava Yolları A.O.	49.12% BIST
Türk Telekom A.Ş.	6.68% BIST
Turkcell İletişim Hizmetleri A.Ş.	26.20% BIST & NYSE
Türkiye Sigorta A.Ş.	81.10% BIST
Türkiye Vakıflar Bankası A.O.	35.99% BIST

* As per Presidential Decision No. 3923, dated 29 April 2021, the entire capital of the Türkiye Sugar Factory Co. was removed from the privatization scope and thereby transferred to the TWF.

Activities

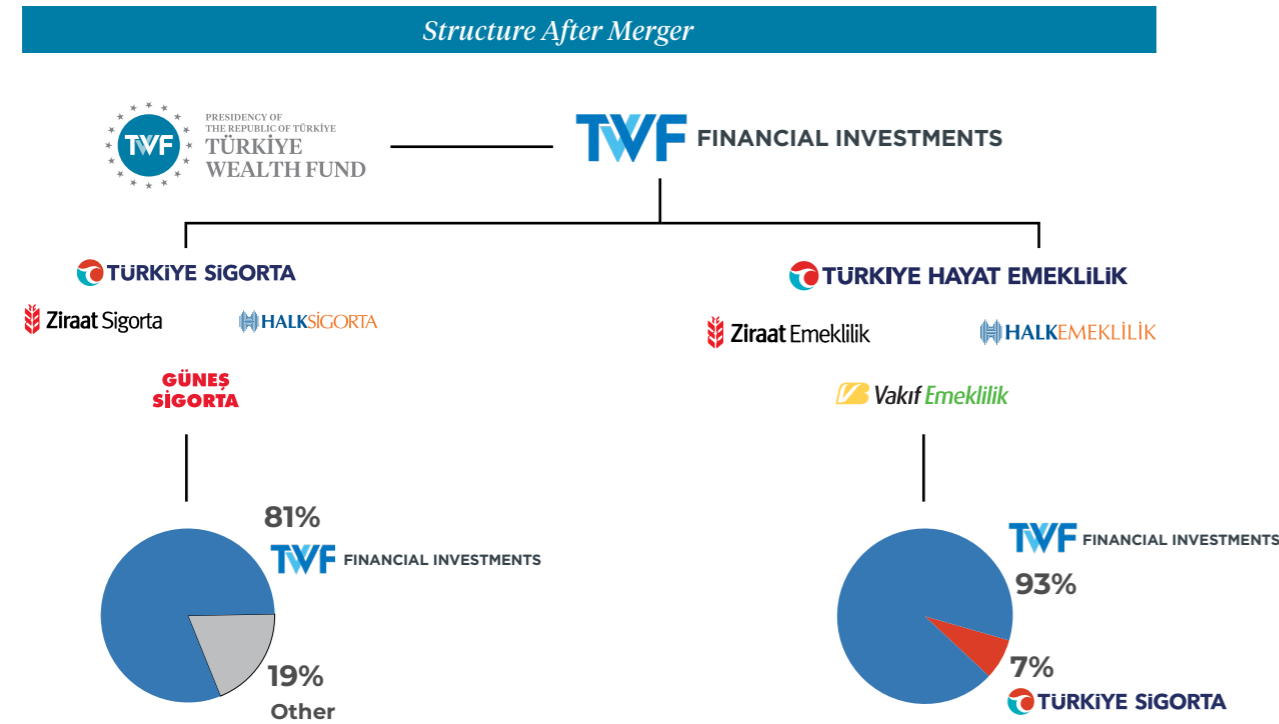
Investments

The Merger of Public Insurance Companies

The Need for Consolidation in the Insurance and Pension Sectors

The necessity of restructuring the insurance and pension sectors to develop the non-bank financial sector in Türkiye and further development of this field, increasing the country's saving rate, has been outlined in the economic programs of the Ministry of Treasury and Finance. Therefore, the TWF played a leading role in assessing the potentials of public insurance and pension companies.

Structures of Public Insurance Companies Before and After the Merger



Merging public insurance companies under one entity began at the end of 2019 with Ziraat Sigorta, Halk Sigorta, and Güneş Sigorta, merging and consolidating under the umbrella of "Türkiye Sigorta" on 31 August 2020. The public pension companies Ziraat Emeklilik, Halk Emeklilik, and Vakıf Emeklilik merged as "Türkiye Hayat Emeklilik" on 1 September 2020, providing both life insurance and private pension services.

Steps Taken During the Merger Process

The merger process of public insurance and pension companies under the roof of the TWF started in December 2019 and finished in September 2020, by the leadership and coordination of TWF, a significant step taken to increase the depth of the insurance and pension sectors.

- December 2019**

The official process starts on 13 December 2019 with statements made by Güneş Sigorta and Halk Sigorta and their controlling partners to the Public Disclosure Platform (KAP) in addition to a press release by the TWF.

Shareholders of Güneş Sigorta, the Türkiye Vakıflar Bankası T.A.O. Civil Servants and Services Pension and Health Support Fund Foundation and the Vakıfbank Personnel Private Social Security Services Foundation, leave their partnership on 20 December 2019 by turning their shares in the company, valued at 81,054,000 TL in total, into stock-exchange securities and selling their relevant shares.
- April-May 2020**

As part of the merger of pension companies, the necessary preparations are initiated for the provisions of the relevant legislation based on the decisions taken at the Board of Directors held on 14 May 2020.

The TWF took over the shares of public insurance companies for 6.5 billion TL in April.
- June 2020**

Preparations for the legislative framework of the merger of insurance companies resulted from decisions taken at the Board of Directors meeting held on 19 June 2020.

The relevant merger permits were obtained from the Insurance and Private Pensions Regulation and Supervision Agency (SEDDK) on 23 June 2020. Then, on 24 June 2020, companies taken over and transferred ratified the merger agreement drafted based on the findings of expert reports.
- July-August 2020**

On 16 July 2020, the "Announcement Text" prepared by the three insurance companies, the amendment to the articles of association, and the issuance certificate were approved by the Capital Markets Board's (SPK) Decision No. 44/908. The approved documents were received from the CMB on 17 July 2020.

An extraordinary general assembly was held on 24 August 2020 for the merger of pension companies and another on 27 August 2020 for the merger of insurance companies.
- August-September 2020**

Ziraat Sigorta and Halk Sigorta merged under Güneş Sigorta on 31 August 2020. The title of Güneş Sigorta A.Ş. was amended as Türkiye Sigorta A.Ş. Then, the publicly held life and pension companies, Ziraat Emeklilik, Halk Emeklilik and Vakıf Emeklilik, were merged and named Türkiye Hayat Emeklilik. As of 1 September 2020, Türkiye Sigorta, formed by the merger of three public insurance companies, began operations in the non-life (elementary) sector, while Türkiye Hayat Emeklilik, formed by the merger of three public pension companies, began operations in the pension sector.

Strategic Goals of the Merger

In Türkiye, both the annual direct life and non-life premium production per capita are not at desired levels; in addition, the pension sector does not reach the desired depth within non-bank financial sector. These are at the forefront of reasons for the structuring of the insurance and pension sectors.

In addition to becoming a local and regional leader in the sector, bringing public insurance and pension company operations under a single roof also aims to:

- Create economies of scale,
- Reduce costs through efficiency,
- Raise the share of the non-banking financial sector to world averages, and
- Contribute to the emergence of a regional insurance leader from Türkiye,

This merger marks an important step taken in efforts to raise the saving rate of the national economy and thereby ensure resource diversity in carrying out investments necessary for economic growth and promoting sustainable economic growth.



Structure After Merger

Empowered by the merger, Türkiye Sigorta and Türkiye Hayat Emeklilik rose to leadership in their respective sectors; the two aim to become active players in the insurance and pension sectors and regional markets by taking advantage of economies of scale with its experienced and talented staff, extensive service network and broad customer portfolio.

- **Strong Customer Portfolio:** Services are offered to 5.4 million Türkiye Sigorta and 9.4 million Türkiye Hayat Emeklilik customers, amounting to 11.6 million customers.
- **Effective Human Resources:** Türkiye Sigorta employs 1,047, while Türkiye Hayat Emeklilik employs 1,235, totaling 2,282 employees.
- **Wide Variety in Offered Services:** Türkiye Sigorta provides services to its customers with a total of 5,874 services offered, of which 3,483 are contracted services, 1,891 are contracted healthcare institutions, and 500 are appraisers.

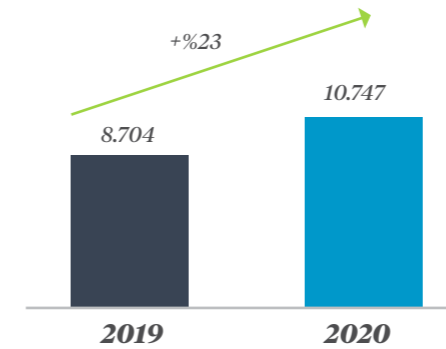
- **Extensive Distribution Network:** The entire network amounts to 7,664 distributions spots with Türkiye Sigorta comprising 2,944 agents, 115 brokers, 4,509 bank branches and, Türkiye Hayat Emeklilik having 88 agents, 4 brokers, and 4,252 bank branches.

Through merging public insurance and pension companies under a single roof within the TWF structure, Türkiye Sigorta and Türkiye Hayat Emeklilik are leaders in areas such as the number of customers, employees, and service network. In addition, significant steps have been taken to ensure a union of forces between Türkiye Sigorta and Türkiye Hayat Emeklilik and the other companies under the jurisdiction of the TWF. In this context, the Directly Related Institutions Directorate was established at the end of 2020 to benefit and meet the insurance needs of the companies under the umbrella of the TWF. As a result, Türksat, TPAO, Kayseri Sugar Factory, and PTT Kule A.Ş. were provided with policies under more beneficial terms, and necessary steps were taken to reduce costs.

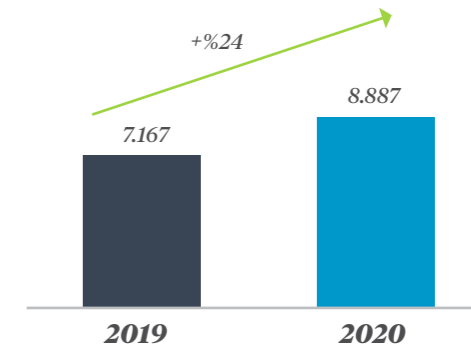
Since its conception, Türkiye Sigorta has broken new ground in its sector with its service and product development; its first insurance policy was for the Tuna-1 (Danube-1) well in the Sakarya Gas Field, the largest natural gas discovery in Türkiye's history. It has also entered into a partnership with Türksat, another portfolio company of the TWF and the only satellite operator in Türkiye. Under the insurance policy issued between Türkiye Sigorta and Türksat, the national communication satellites of Türksat 3A, Türksat 4A, and Türksat 4B were insured for a year for a total value exceeding \$280 million.

Financial Position of Türkiye Sigorta:

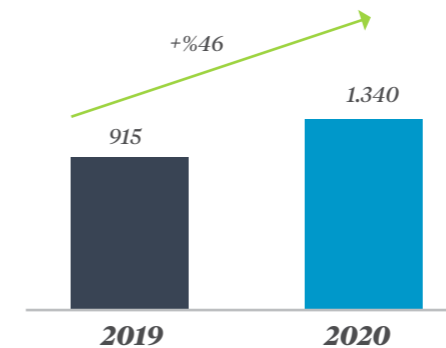
Total Assets (Million TL)



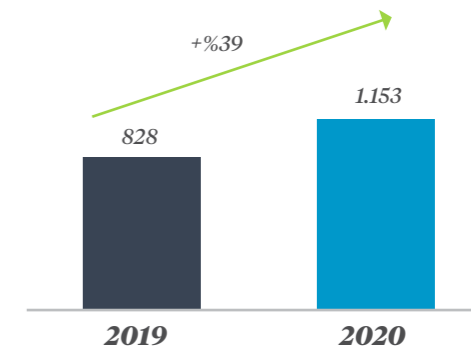
Gross Non-Life Production (Million TL)



Technical Balance (Million TL)



Net Profit (Million TL)

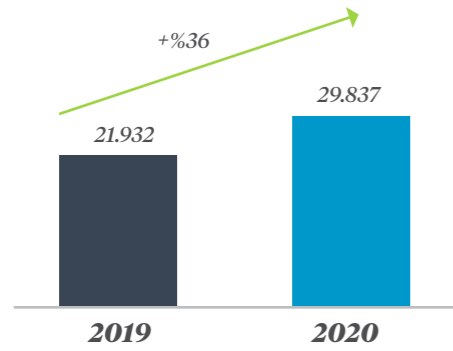


Source: Türkiye Sigorta

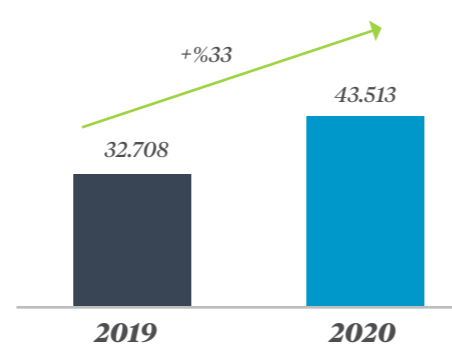
As a result of the merger of public insurance companies under the TWF, their total assets increased from 8.7 billion TL at the end of 2019 to 10.7 billion TL at the end of 2020. Non-life premium production rose to 8.8 billion TL, acquiring a market share of 13.04%, making Türkiye Sigorta the leader in elemental insurance for the year. Within the same period, the technical balance (profit) increased from 915.2 million TL to 1.3 billion TL, and the net profit increased from 828.4 million TL in 2019 to 1.1 billion TL.

Financial Position of Türkiye Hayat Emeklilik

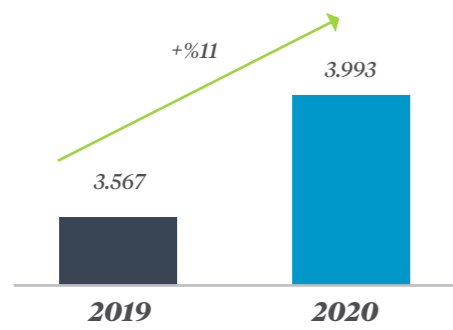
Individual Pension Funds (Million TL)



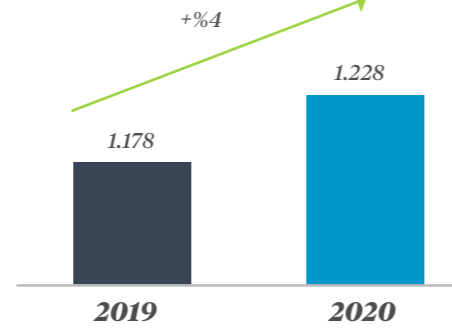
Assets (Million TL)



Gross Life Production (Million TL)



Overall Technical Balance (Million TL)



Source: Türkiye Hayat Emeklilik, Insurance Association of Türkiye

Türkiye Hayat Emeklilik increased its private pension fund size from 21.9 billion TL at the end of 2019 to 29.8 billion TL at the end of 2020, increasing its total assets from 32.7 billion TL to 43.5 billion TL. Similar to Türkiye Sigorta in the insurance sector, there was a significant increase in premium products in the life and pension fields, and Türkiye Hayat Emeklilik completed 2020 as the sector leader with a premium production of 3.9 billion TL and a market share of 27.70%. As a result, the overall technical balance of Türkiye Hayat Emeklilik was amounted to 1.2 billion TL as of the end of 2020.

Acquisition of Turkcell Shares

On 18 June 2020, the TWF signed agreements with Telia Company, LetterOne, Çukurova Holding, Ziraat Bankası and related parties to acquire 26.20% shares of Turkcell İletişim Hizmetleri A.Ş. (BIST: - TURKCELL, NYSE: TKC). Before completing the transaction, all necessary permissions were obtained from the regulatory authorities of Türkiye and other relevant countries. Following the General Assembly of Turkcell, held on 21 October 2020, the deal's closing procedures were completed, the CMB and SEC were notified, and the TWF became the largest shareholder of Turkcell.

As the TWF's first investment in a company operating in both the private sector and is traded in foreign stock exchanges, this acquisition was made as a part of the Fund's strategy to support Türkiye's competitive companies. Along with the acquisition, Turkcell's partnership and board of directors structure have been simplified and more stable and transparent, resolving long-standing disputes between shareholders that previously adversely affected the market value and performance of the company. This strategic investment of the TWF aims to aid Turkcell in realizing its potential more effectively.

A new era began for all stakeholders following the acquisition; the new structure is as follows:

- The TWF became the largest shareholder with managerial control over the company; with 26.20% shares and 15% preferred shares, the TWF has the right to designate 5 out of the 9 members on the Turkcell Board of Directors.
- As part of its strategy to focus on other geographies, Telia, a Sweden-based telecommunications company, left its partnership with Turkcell by selling all its 24.02% indirect shares in Turkcell for \$530 million.
- The international private equity fund, LetterOne Group, became the largest minority shareholder, increasing its stake in the company to 24.80%.
- Turkcell Holding's joint venture was terminated, and Çukurova Holding left the Turkcell partnership by selling its indirect stakes.
- The strength of minority shareholders increased because of 4 member spots on the Board of Directors that are elected without TWF input.

Türkiye's leading digital operator Turkcell continues to be the first Turkish company to be traded on both Borsa Istanbul and New York stock exchanges.

In this new period, the TWF will continue to contribute to the performance-oriented structure and corporate governance of Turkcell to become even stronger.

Investment in İstanbul Financial Center

Aiming to deepen Türkiye's financial markets and ensure it receives its share from global financial markets, the İstanbul Financial Center (İFC) is a strategic and visionary investment project. Planned as a unique financial cluster on 1.5 million m2 of land in Ümraniye, İstanbul, the TWF was first involved in the IFC project as the main investor in 2019; its share reached 50% in 2020 with the further acquisition of land.

The İstanbul Financial Center consists of the three main components of real estate, legal regulations, and an ecosystem ensuring integration with global financial markets, aiming to position İstanbul as a regional financial center. The TWF leads the development of the İFC project in all three

areas. For this purpose, the TWF established İFC Real Estate Construction and Management A.Ş. (İFM Gayrimenkul İnşaat ve Yönetim A.Ş.) on 28 May 2020, to complete the investment of the project and effectively carry out its facility management and operation.

The İFC is a multi-purpose project consisting of office spaces, a shopping mall, a hotel, a congress center, and academy areas, developed in Ümraniye, İstanbul, on a total of 1.5 million m2 rentable and 3.5 million m2 of construction space. The project is intended to be exemplary in terms of energy efficiency and waste management during its operation and its construction phase, on par with the international norms of sustainable development. In cooperation with the Emlak Konut Real Estate Investment

Trust (EKGYO), the project progress rate reached 47% completion at the end of 2020, and with the TWF's the total investment amount reached 3.7 billion TL. In addition to construction, the project collaborates with leading companies in various sectors, such as Turkcell in technological infrastructure and Aselsan in the field of security. The project's construction phase is expected to be completed by the first months of 2022.

In addition, comprehensive legislative activities are underway with relevant stakeholders and consultancy firms to build an effective and reliable legal infrastructure that supports the ecosystem of the İFC.

On the side of financing, negotiations with financial institutions continued to use different

financing instruments in the field of conventional and participatory finance in line with the strategic goals of İFC, and the project is intended to provide a long-term and low-cost financing structure.

The purpose is to create a robust financial ecosystem involving domestic, international banks, and non-bank financial institutions including, audit, consultancy, technology, telecommunication companies, and other real sector players, all working to create a strong financial ecosystem through the İFC in İstanbul. The second half of 2021 will be spent launching collaborations with domestic and international financial markets to accelerate the marketing and leasing activities to acquire actors in line with the İFC's target audience.



Greenfield Investments

Petrochemicals

The petrochemical industry is one of the locomotive sectors that uses petroleum products and natural gas as raw materials and provides input to many sectors, such as packaging, electronics, automotive, textile, and agriculture, by producing various intermediary products such as plastics, rubbers, synthetic yarn, and fiber. Therefore, in order to contribute to the development of this strategically important sector in Türkiye, the petrochemical investment project initiated by the TWF on the Mediterranean coast is carried on.

The project aims to produce base petrochemical products, and will also contribute to establishing a petrochemical cluster in the region, promoting the production of other petrochemical products, developing economic activities in the region and Türkiye, and increasing employment.

In 2020,

- Energy, hydrocarbon resources, refinery, and fuel trends of the world,
- Market analyses and future expectations of refinery and petrochemical products, and
- Petrochemical technologies, accessibility, and costs

were analyzed in detail. Of the 55 potential models developed, concept design studies were carried out for the 3 configurations that gave the best results, and consequently, alternative location sites were evaluated for the project.

Energy

The project of power generation from coal was prioritized as a result of the TWF's objective to provide capital for strategic investments with the aim of using national resources in line with the principles of sustainability and responsible investment. The project consists of the power plant and mine investment and operation, within the scope of assessing the lignite reserve in the Afşin-Elbistan basin. As a result, the license for Afşin C site was transferred to the TWF Energy and Industry Trade A.Ş. (TWF Enerji ve Sanayi Ticaret A.Ş.), together with its acquired rights from Elektrik Üretim A.Ş.

The Afşin New Electricity Generation Facility is planned to have an installed capacity of approximately 1,600 MW and be included in the national electricity grid as a baseload during its 30-year operation. The project is intended to be the largest thermal power plant in Türkiye with an installed power of 1,600 MW.

Approximately 10 TWh of power will be generated annually at the Afşin New Electricity Generation Facility. While this energy supply will meet the electricity needs of roughly 3 million citizens, this energy will also create a positive impact of approximately 3 billion TL annually on natural gas imports and the foreign trade balance. Furthermore, the facility is expected to create local employment for about 5,000 employees during construction and 2,000 people during its operation, prioritizing regional development. In addition, the construction of the Karakuz Dam to supply cooling water to be used in the power plant aims to add an area of 130,000 acres to agriculture at the same time. The environmental and social impact analyzes of the project have also been completed.

Feasibility reports from accredited engineering companies regarding the project's power plant and mine construction and operations have been completed.

Mining

The company TWF Mining TVF Maden A.Ş.) was established by the TWF in 2020 for mining investments. In this process, under the relevant articles of the Mining Law No. 3213, the right to discovery was acquired from the General Directorate of Mineral Research and Exploration (MTA), and a total of 20 Group IV mining licenses, given by the General Directorate of Mining and Petroleum Affairs (MAPEG), were acquired by TWF Mining. Considering the proximity of the licenses to one another, the 20 licenses were then made into a total of 14 project areas.

Gold, copper, lead-zinc, iron, and chromium were discovered in 12 of these 14 project sites as a result of initial explorations carried out by the MTA; the remaining two project areas' exploration processes were taken on by TWF Mining to be carried out from scratch.

In the meantime, a service ecosystem consisting of drilling and other site services, laboratories, topographic mapping, logistics, social communications, proprietorship permits consultancy, logging/sampling, etc., was created by TWF Mining to ensure that

project development operations are carried out smoothly end-to-end.

Simultaneously, field exploration studies were started from scratch in the two project areas (Giresun and Gümüşhane), while due diligence studies were conducted by internationally accredited companies for the six out of 12 project areas with the highest potential, according to MTA studies.

In the light of these studies, shortcomings that need to be rectified to report the mineral assets (as bankable) in the selected areas per with international standards were identified. As a result, four project areas with the highest economic potential were prioritized, and preliminary field activities, namely drilling, were initiated.

These four projects are as follows:

1. Manisa-Çatalçam (Gold, Lead, Zinc) Project
2. Balıkesir-Akçal (Gold) Project
3. Kastamonu-Taşköprü (Copper) Project
4. Sivas-Divriği (Iron) Project

Project Sites and Service Procurement Ecosystem of TVF Mining



Capital Injection into Public Banks

In efforts to strengthen public banks against the potential adverse effects of the Covid-19 pandemic and fluctuations in global markets on the economy and financial institutions, the Türkiye Wealth Fund increased core capital of the public banks of T.C. Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Vakıflar Bankası T.A.O. by a total of 21 billion TL, in May 2020 with the approval of the Banking Regulation and Supervision Agency (BDDK).

The financing of this transaction of increasing the allocated core capital was covered by the cash obtained from the sale of 10-year CPI-indexed special government debt securities issued by the T.R. Ministry of Treasury and Finance on loan to the banks at their market values.

The share prices base to this transaction was determined by applying a 10% margin on the weighted average market prices before the application date for the publicly traded Türkiye Halk Bankası A.Ş. and Türkiye Vakıflar Bankası T.A.O., as permitted by the legislation.

Following the capital increase of 7 billion TL to each bank, the ownership rate of the TWF rose to 75.29% in Türkiye Halk Bankası A.Ş. and 35.99% in Türkiye Vakıflar Bankası T.A.O.. All shares of T.C. Ziraat Bankası A.Ş. are currently owned by TWF.

As a result of this transaction, the financial structures of public banks playing a critical role in ensuring financial and economic stability were strengthened against possible risks and their capital adequacy ratios were improved.

	Ziraat Bankası		Halkbank		Vakıfbank	
	Before Transaction	After Transaction	Before Transaction	After Transaction	Before Transaction	After Transaction
Core Capital Amount	75,7 billion TL	82,7 billion TL	32,7 billion TL	39,7 billion TL	34,5 billion TL	41,5 billion TL
Paid Capital Amount	6,1 billion TL	13,1 billion TL	1,3 billion TL	2,5 billion TL	2,5 billion TL	3,9 billion TL
Core Capital Adequacy Ratio	%12,8	%14,0	%9,3	%11,3	%10,3	%12,3
TWF Ownership	%100,0	%100,0	%51,1	%75,3	%0,0	%36,0

Source: Public Disclosure Platform

Borsa Istanbul

Borsa Istanbul is one of the leading trading platforms among emerging market stock exchanges with its deep-rooted history, technological infrastructure, end-to-end transaction integration, and diverse product portfolio offered to investors.

Playing an essential role in strengthening the Turkish economy and developing financial markets, Borsa Istanbul performed very well in 2020, mainly due to increased market activity during the pandemic, which adversely affected social, economic, and commercial life across the world.

Specifically, with the increasing interest of individual investors in the stock markets, the number of investors who traded increased by 64% on an annual basis and reached 2 million by the end of 2020; the BIST 100 Index increased by 29%, the BIST All Index by 40% and the BIST Public Offering Index by 197%.

In the same period, Borsa Istanbul historically recorded its highest transaction volumes in the various sectors in which it operates. In 2020, the highest daily trading volume levels were reached in all markets: 64 billion TL in the Equity Market, 165 billion TL in debt markets, and 25.7 billion TL in the Derivative Financial Instruments Market (VIOP).

Total trading volume doubled and reached 2.6 trillion TL in the Equity Market, 21.5 trillion TL with an approximately 33% increase in the Debt Securities Market, and 2.8 trillion TL with an increase of 98% in the VIOP on an annual basis.

On the supply side, 8 initial public offerings with a total volume of 1.1 billion TL were realized in Borsa Istanbul in 2020, and 1,254 debt instrument issue transactions amounting to a total size of 200 billion TL were carried out. As a result of the increased transaction volume and investor appetite, the net profit of Borsa Istanbul increased by 43% and reached 1.4 billion TL at the end of 2020.

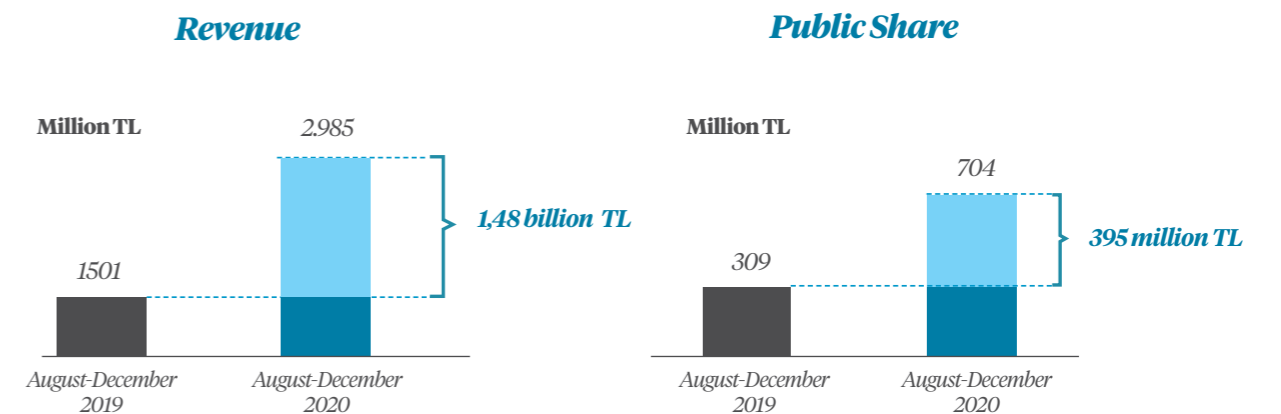
Borsa Istanbul attracts the attention of many financial and strategic institutional investors with its leading position in the region, strong financial performance, and the momentum it has gathered. In this context, Borsa Istanbul finds strategic partnerships with investors that will favorably contribute to company technological and corporate development. Most recently, Nasdaq and the European Investment and Development Bank (EBRD) took part in Borsa Istanbul as minority shareholders for a certain period, and then later they handed over their shares to the TWF within the framework of their investment plans and policies. Similarly, on 30 November 2020, the TWF, in line with its corporate governance development principles, handed over 10% of its shares to Qh Oil Investments, a subsidiary of the Qatar Investment Authority (QIA) and a major international institutional investor, in exchange for \$200 million (with additional premium per share repurchase from the EBRD). This partnership is considered a start to potential collaborations between the QIA, one of the prominent financial investors in international financial markets with a 7.59% stake in the London Stock Exchange, and the TWF in the future.

In line with Borsa Istanbul's strategic and economic role, the TVF has expressed its commitment to being a controlling shareholder with a minimum 51% share in its articles of association. Currently, with an 80.60% share in Borsa Istanbul, the Fund contributes to strategies and action plans positively affecting the commercial and corporate development of Borsa Istanbul in becoming an internationally leading trading platform and marketplace for capital market instruments in the mid-term.

A New Model for Games of Chance

The TWF-owned licenses of games played for cash were designed to be executed through a model without being transferred to a subcontractor, where only operations were made as per the agreement with Sisal Şans A.Ş. in 2019. Since the beginning of 2020, it has undergone the stages of planning, preparation, implementation, and final control; finally, the National Lottery (Administration) operations were taken over on 1 August 2020.

In the first 5-months, its revenue increased from 1501 million TL to 2 billion 985 TL, and share transferred to the public increased from 309 million TL to 704 million TL.



Sustainability

Actions on Environmental, Social and Governance (ESG) Issues

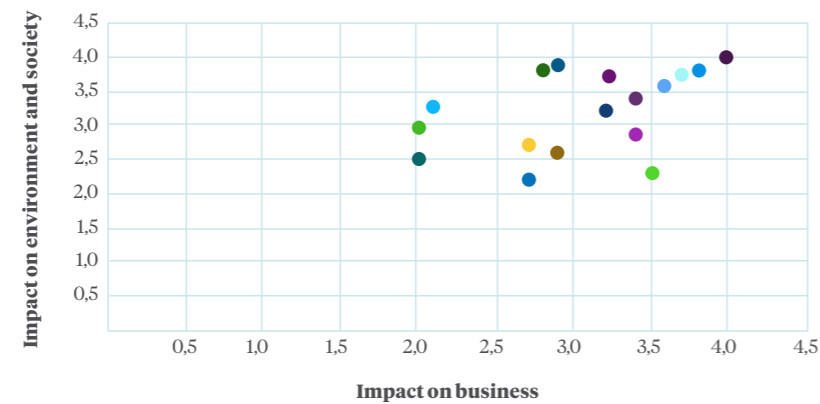
Economic development, population growth, and rising living standards in return increase land use, demand for energy, consumption of natural resources, and environmental pollution, leading to global risks such as disease, food safety, and climate change. Financial institutions and companies can no longer delay the integration of sustainability and environmental, social, and governance (ESG) factors into their business processes. The steps taken in the light of these developments contribute to achieving better financial returns and a more sustainable future in the long run.

Sustainability issues such as climate change significantly impact companies, influencing their operations and financial performances and shaping their long-term values. That's why, starting from the last quarter of 2020, the TWF has accelerated its efforts to create a framework to manage its ESG approach, including integrating ESG factors into its investment decisions and activities throughout its operations and providing guidance to its stakeholders.

The general objectives of the TWF in this regard are as follows:

- To develop cultural awareness by building corporate ESG literacy to identify better, understand, and proactively manage ESG related risks,
- To focus on identifying and managing ESG related principles and considerations,
- To contribute to the development of ESG in portfolio companies and ensure the improvement of performance in ESG related activity over time by transparent reporting,
- To represent and advocate for ESG principles,
- To identify short- and long-term priority ESG target areas to address and mitigate ESG risks.

Priority ESG target areas are identified through interviews and in-depth analyses with internal and external stakeholders. In addition to the priority areas, other ESG related topics are also considered by the TWF and studied in the long-term.



- Climate change and emissions
- Water management (including freshwater availability and water pollution)
- Waste management
- Public welfare (including COVID 19)
- Human rights
- Responsibility along the value chain
- Non-performing investment
- Code of conduct (including transparency and the fight against corruption and bribery)
- Solvency and financial performance
- Cybersecurity (cyber-attacks, data hack, fraud...)
- Continuous energy supply
- Biodiversity and natural loss
- Resource availability and efficiency
- Corporate governance (objective, management, quality of management unit, risk, and opportunity watch)
- Occupational health and safety
- Contribution to society and value production
- Stakeholder engagement
- Corporate governance (Objective, management, quality of management unit, risk and opportunity watch)
- R&D and technological transformation
- Public security

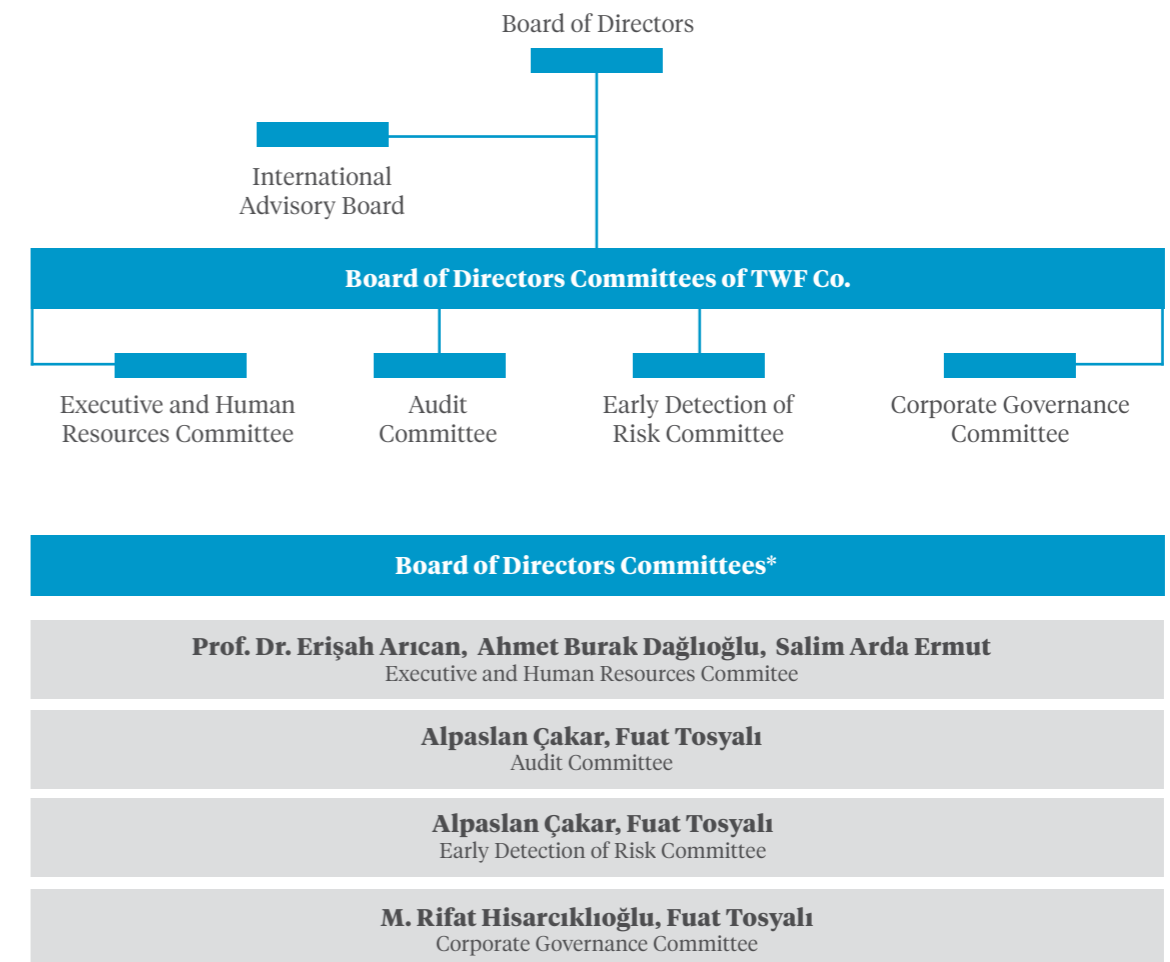
Corporate Governance

Structure of the Board of Directors and Committees

Due to its responsibility of efficiently using public assets, the TWF has developed its corporate governance model within a framework of transparency and accountability principles. As a result, corporate governance practices carried out by the TWF are on par with international systems and standards. With this understanding of corporate governance, the TWF continues its operations with the vision of becoming one of the most successful wealth funds in the world.

The Board of Directors of the Türkiye Wealth Fund convenes under the Chairmanship of the President of the Republic of Türkiye. Senior committees of the Board of Directors include the Executive and Human Resources Committee, Audit Committee, Early Detection of Risk Committee, and the Corporate Governance Committee. In addition, establishing an International Advisory Board to improve corporate governance further is underway.

The committees operating under the TWF's Board of Directors were established in 2017. The Members of the Board of Directors were re-elected by a Presidential Decision, dated 11 September 2018. As per Decision No. 42, dated 24 October 2018, the Human Resources Committee was renamed the "Executive and Human Resources Committee," and the Members of the Board of Directors were re-elected.



* As of October 2021.

Audit and Internal Control

The independent audit of the financial statements and operations of the TWF and TWF Management Co. for the year 2020 was conducted by PWC. In addition to the three external audits, the TWF has also included an internal auditing process. This internal audit operation is conducted by evaluating the TWF and TWF Management Co. requirements based on generally accepted practices and principles of international internal audit standards and domestic legislation.

Rating

Obtaining an internationally accredited rating score was completed by the TWF in 2020. The international credit rating agency, Fitch Ratings, assigned the credit rating of TWF as "BB-" and its outlook as "stable." This rating is in line with Türkiye's country credit rating.

Principles and Values

1

Serving the Nation and Creating Value: The TWF was founded for the future of Türkiye. In all of its operations and activities, the TWF pursues public service and adds value. The TWF does not participate in any activity or operations that do not embrace these values.

2

Accountability and Transparency: The TWF aims to be accountable and transparent in all its actions and operations. The TWF pursues these principles and international corporate governance standards in its operation and decision-making processes.

3

Discipline, Professionalism and Cooperation: Both individually and as a team, TWF employees act with a course of action and discipline in line with the Fund's principles. All employees adhere to a high level of professionalism and discipline. Employees and the institutional support and respect each other.

4

Results-Oriented: The TWF is success and result-oriented in all endeavors it undertakes, intending to serve the nation and create value.

Human Resources

In 2020, the TWF Human Resources Department played an active role in the organization's growth through recruitment. Together with the subsidiary companies TWF Energy, TWF Mining, TWF Petrochemistry, and TWF IFC teams, the TWF Family has grown by hiring qualified industry experts.

Business processes, procedures, and documents regarding human resources operations and activities were prepared. Labor and Discipline Regulations were drafted, and the human resources budget for 2021 was prepared for the TWF and its affiliated companies.

Job descriptions, standards, policies, and regulations were also created for the TWF and its affiliates.

Through the Job Evaluation and Grade Structure Design Project completed in 2020, employment analysis for all roles throughout the organization was conducted, using globally accepted methodologies. As a result of the project, the Human Resources policy concerning organizational structure and design was determined using global, local, and sectoral data.

A Performance Management System was designed; through it, the TWF Competency Model was created, and business targets and competency metrics of departments and individuals were defined and rolled out through its application. Additionally, an onboarding orientation program was designed and implemented.

TRAINING DISTRIBUTION	
TRAINING	NUMBER OF EMPLOYEES
Postgraduate	29
Undergraduate	54
Two-Year Degree	3
High School	15
Secondary Education	2
Primary Education	3
TOTAL	106

AGE DISTRIBUTION	
AGE	NUMBER OF EMPLOYEES
20-24	2
25-29	31
30-40	38
Above 40 years old	35
TOTAL	106

GENDER DISTRIBUTION	
GENDER	NUMBER OF EMPLOYEES
Female	37
Male	69
TOTAL	106

Financial Statements

Balance Sheet

Assets

	Audited 31 December 2020 (Million TL)	Audited 31 December 2019 (Million TL)
Current Assets	860,771	593,466
Cash and Cash Equivalents	116,323	64,230
Central Bank of the Republic of Türkiye Reserve Balances	84,971	46,115
Financial Assets	116,556	57,336
Trade Receivables	29,210	22,859
Trade Receivables from Related Parties	218	1,317
Trade Receivables from Third Parties	28,992	21,542
Receivables from Financial Sector Operations	437,388	353,264
Other Receivables	15,405	10,856
Other Receivables from Related Parties	1,071	1,020
Other Receivables from Third Parties	14,334	9,836
Derivative Financial Instruments	8,238	3,447
Inventories	14,709	11,952
Prepaid Expenses	15,064	6,247
Current Tax Assets	1,067	513
Other Current Assets	16,747	12,115
Non-Current Assets Held for Sale	5,093	4,532
Non-Current Assets	1,308,535	856,913
Financial Assets	295,523	193,647
Trade Receivables	2,208	2,421
Trade Receivables from Third Parties	2,208	2,421
Receivables from Financial Sector Operations	623,672	408,399
Other Receivables	17,964	15,039
Other Receivables from Related Parties	5,858	4,746
Other Receivables from Third Parties	12,106	10,293
Derivative Financial Instruments	-	812
Equity Accounted Investees	18,941	8,958
Investment Properties	14,835	10,202
Property, Plant and Equipment	152,166	100,760
Right of Use Assets	115,904	84,977
Intangible Assets	47,888	17,138
Goodwill	3,363	132
Other Intangible Assets	44,525	17,006
Prepaid Expenses	8,154	6,635
Deferred Tax Assets	5,788	4,697
Other Non-Current Assets	5,492	3,228
TOTAL ASSETS	2,169,306	1,450,379

Liabilities

	Audited 31 December 2020 (Million TL)	Audited 31 December 2019 (Million TL)
Current Liabilities	1,586,104	950,948
Short-term Borrowings	18,417	14,116
Short-term Portion of Long-Term Borrowings	22,072	5,634
Lease Liabilities	13,647	8,476
Trade Payables	29,872	21,736
Trade Payables to Related Parties	1,338	1,305
Trade Payables to Third Parties	28,534	20,431
Payables from Financial Sector Operations	1,367,073	811,133
Payables Related to Employee Benefits	1,012	1,175
Other Payables	40,608	27,584
Other Payables to Related Parties	703	865
Other Payables to Third Parties	39,905	26,719
Derivative Financial Instruments	4,562	2,163
Deferred Incomes	6,505	6,940
Current Tax Liabilities	2,689	3,269
Current Provisions	22,504	8,763
Current Provisions for Employee Benefits	1,723	1,542
Other Current Provisions	20,781	7,221
Other Current Liabilities	57,143	39,959
Non-Current Liabilities	296,694	266,074
Borrowings	121,467	53,811
Lease Liabilities	76,408	54,310
Trade Payables	213	212
Trade Payables to Third Parties	213	212
Payables from Financial Sector Operations	60,099	127,748
Other Payables	243	424
Other Payables to Related Parties	2	2
Other Payables to Third Parties	241	422
Derivative Financial Instruments	-	203
Deferred Incomes	2,845	2,451
Provisions	14,605	12,556
Provisions for Employee Benefits	6,226	5,121
Other Non-current Provisions	8,379	7,435
Deferred Tax Liabilities	17,279	9,960
Other Non-Current Liabilities	3,535	4,399

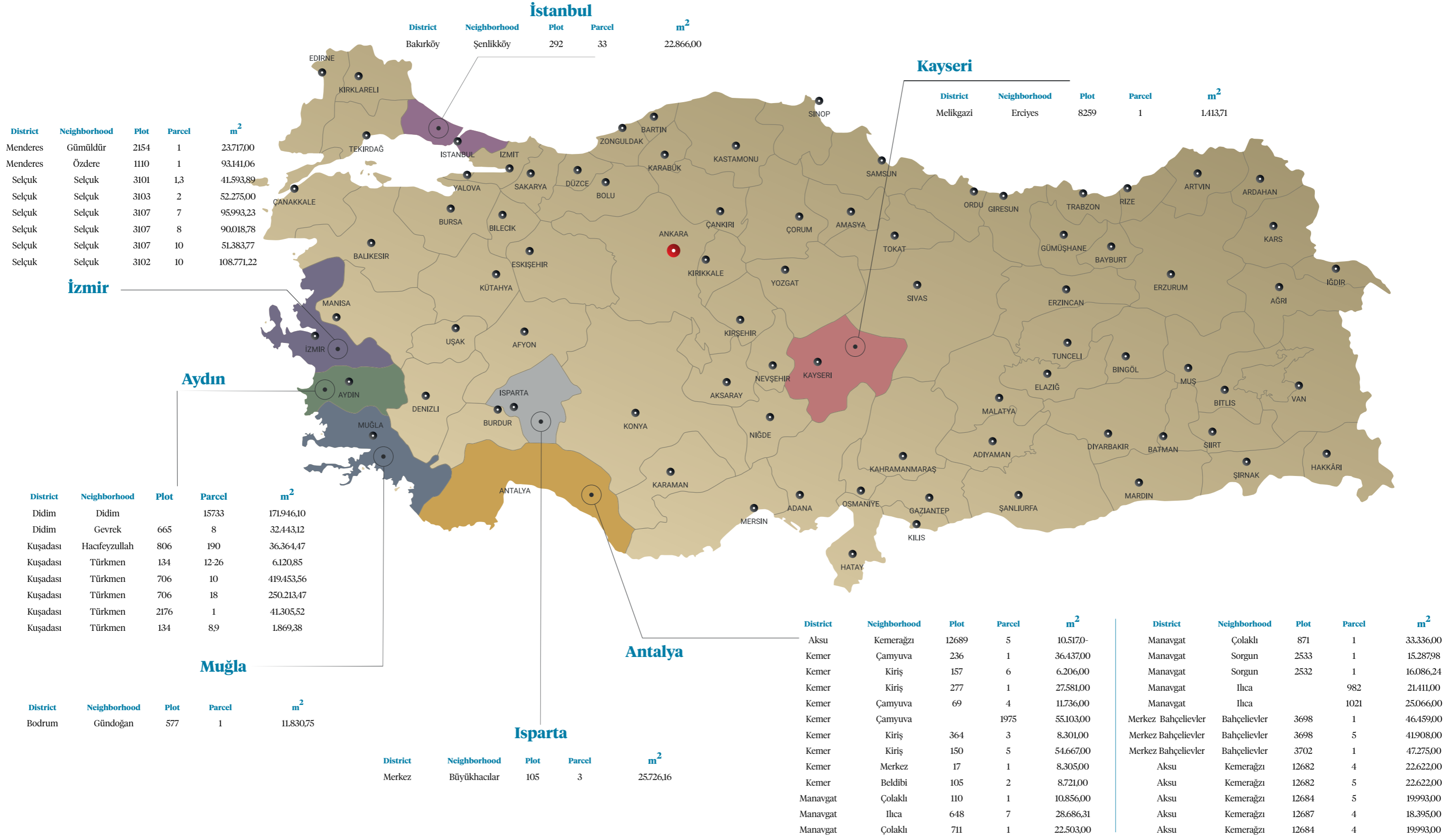
EQUITY	286,508	233,357
Equity Attributable to Equity Holders of the Parent	229,846	197,216
Government Contribution	138,264	138,294
Treasury Shares	(6)	(21)
Effect of Common Control Transactions	(415)	650
Other Reserves	612	1,892
Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	(1,505)	(1,464)
Fair Value Reserve	(1,436)	(1,261)
Actuarial Gains Arising from Employee Benefits	(177)	(203)
Share of Other Comprehensive Income from Equity Accounted Investees	108	-
Other Comprehensive Income That Will Be Reclassified to Profit or Loss	46,868	30,045
Currency Translation Reserve	42,920	25,814
Cash Flow Hedge Reserve	(1,419)	707
Fair Value Reserve	4,600	3,524
Net Investment Hedge Reserve	653	-
Cost of Hedging Reserve	54	-
Share of Other Comprehensive Income from Equity Accounted Investees	60	-
Retained Earnings	35,280	22,908
Profit for the Year	10,748	4,912
Non-Controlling Interests	56,662	36,141
Total Liabilities	2,169,306	1,450,379

Statement of Income

Continuing Operations

	Audited 1 January- 31 December 2020 (Million TL)	Audited 1 January- 31 December 2019 (Million TL)
Revenue (Net)	157,611	171,037
Cost of Sales (-)	(137,639)	(150,750)
Gross Profit from Non-Financial Operations	19,972	20,287
Interest, Premium, Commission and Incomes	164,409	145,750
Interest, Premium, Commission and Other Expenses (-)	(128,713)	(118,149)
Gross Profit from Financial Operations	35,696	27,601
GROSS PROFIT	55,668	47,888
General Administrative Expenses (-)	(23,015)	(18,749)
Sales, Marketing and Distribution Expenses (-)	(10,092)	(10,942)
Other Income from Operating Activities	12,486	7,641
Other Expense from Operating Activities (-)	(14,546)	(9,950)
Share of Profit of Equity Accounted Investees	1,031	479
OPERATING PROFIT/(LOSS)	21,532	16,367
Income from Investment Activities	7,824	5,186
Expense from Investment Activities (-)	(464)	(6,875)
PROFIT BEFORE FINANCE INCOME/ (EXPENSE)	28,892	14,678
Financial Income	7,141	3,974
Financial Expenses (-)	(19,978)	(7,541)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	16,055	11,111
Tax Expense from Continuing Operations	(5,707)	(2,257)
Current Tax Expense (-)	(6,769)	(5,600)
Deferred Tax Income/ (Expense)	1,062	3,343
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	10,348	8,854
PROFIT FOR THE YEAR	10,348	8,854
Attributable to:		
Non-controlling Interests	(400)	3,942
Equity Holders of the Parent	10,748	4,912

Annexes ANNEX-1 List of Properties



ANNEX-2 Compliance with Santiago Principles

The Santiago Principles, developed by the International Working Group of Sovereign Wealth Funds (IWG) in 2008, consists of 24 Generally Accepted Principles and Practices (GAPP) that establish good governance standards for the management and auditing of sovereign wealth funds.

The principles include ensuring good governance, transparency, and accountability, and procedures for guaranteeing healthy long-term investments. The Santiago Principles cover three main areas, including the legal framework, objectives, and coordination with macro-economic policies (GAPP 1-5), institutional framework and governance structure (GAPP 6-17), and investment and risk management framework (GAPP 18-24) of sovereign wealth funds.

The TWF exerts its utmost effort to comply with the Santiago Principles, a key mandate of international sovereign wealth funds. As part of its compliance with the Principles, the approach of the TWF to the Self-Assessment Survey planned to be published in early 2020 is as follows:

PRINCIPLE 1: The legal framework for the sovereign wealth fund should be sound and support its effective operation and the achievement of its stated objective(s).

TWF Management Co. was established with Law No. 6741 on 19 August 2016 as a joint-stock company as the exclusive fund manager of the TWF. The Decision of the Council of Ministers, dated 17 October 2016, regarding the process and principles of the structure and operations of the Fund was published in the Official Gazette on 9 November 2016. Law No. 6741 is available on the Official Gazette and the TWF's websites.

PRINCIPLE 2: The policy purpose of the sovereign wealth fund should be clearly defined and publicly disclosed.

Law No. 6741 Article 1 clearly defines the purpose and scope of the TWF.

As per TWF's roadmap, approved by the Board of Directors of TWF Management Co. on 24 October 2018, the strategic objectives are as follows:

1. Increasing the Value of Assets Within the Fund
2. Provide Equity for Strategic Investments in Türkiye
3. Carry Out Investments Supporting Türkiye's International Economic Strategies and Companies
4. Support the Improvement and Deepening of Financial Markets

PRINCIPLE 3: Where the sovereign wealth fund activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, to ensure consistency with the overall macroeconomic policies.

The President of the Republic of Türkiye chairs the Board of Directors of the TWF Management Co. The TWF Roadmap and Strategic Plan operate in tandem with national economic policies.

PRINCIPLE 4: There should be clear and publicly disclosed policies, rules, procedures, or arrangements concerning the sovereign wealth fund's general approach to funding, withdrawal, and spending operations.

The scope of activity and funding of the TWF, including the founding capital, are disclosed under Article 2 and Article 4 of Law No. 6741. The TWF uses debt and equity financing to fund its investment activities. All funding and investment-related decisions are subject to final approval by the Board of Directors.

PRINCIPLE 5: The relevant statistical data about the sovereign wealth fund should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

In line with Article 18 of the Decision of the Council of Ministers, TWF Management Co. commits to regularly publishing annual reports on its website. TWF Management Co. also shares information with the related government authorities when necessary. As per Article 6 of Law No. 6741, TWF Management Co. is subject to a three-layer audit framework. These are, independent external audits in line with International Financial Reporting Standards, audits by the State Supervisory Board of annual financial statements and activities, and finally, the Turkish Grand National Assembly Plan and Budget Committee audit. TWF Management Co. also established its internal audit structure through its Audit Committee.

PRINCIPLE 6: The governance framework for the sovereign wealth fund should be sound and establish a clear and effective division of roles and responsibilities to facilitate accountability and operational independence in the management of the sovereign wealth fund to pursue its objectives.

Organizational structure and job descriptions of the TWF are clearly defined with Article 6 of the Decision of the Council of Ministers. Furthermore, Executive and Human Resources, Corporate Governance, and the Early Detection of Risk and Audit Committees, operating under the Board of Directors, were established in accordance with the scope of corporate governance as outlined in Article 19 of the Turkish Capital Markets Law No. 6362.

PRINCIPLE 7: The fund holder should set the objectives of the sovereign wealth funds, appoint the members of its governing body(ies) per clearly defined procedures, and exercise oversight over the sovereign wealth funds operations.

TWF's strategic objectives and operations are governed by the Board of Directors, consisting of experienced representatives from government, public, and private sectors. The objectives of the TWF are defined under Law No. 6741 and are described in the Mandate and Strategic Plan, approved by the Board of Directors.

PRINCIPLE 8: The governing body(ies) should act in the best interests of the sovereign wealth fund and have a clear mandate and adequate authority and competency to carry out its functions.

The structure of the Board is defined under Articles 12, 13, and 14 of the Articles of Association. In addition, the Board of Directors follows Article 14.5 of the Articles of Association and the Turkish Commercial Code provisions for decision making.

PRINCIPLE 9: The operational management of the sovereign wealth fund should implement the sovereign wealth funds strategies in an independent manner and per clearly defined responsibilities.

As stated in Article 15 of the Articles of Association, the Board of Directors meets regularly as it is responsible for the TWF's overall governance. Senior management of TWF Management Co. proposes investment and financing projects to the Board of Directors through executive committees and is responsible for the day-to-day execution of Board decisions.

PRINCIPLE 10: The accountability framework for the Sovereign wealth funds operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

Law No. 6741 and the Decision of the Council of Ministers define the framework, including executive committees, audit mechanisms, and corporate governance standards in accordance with Capital Markets Law.

PRINCIPLE 11: An annual report and accompanying financial statements on the sovereign wealth funds operations and performance should be prepared in a timely fashion and per recognized international or national accounting standards consistently.

In accordance with Article 18 of the Decision of the Council of Ministers, the TWF commits to the regular publishing of annual reports on its website.

PRINCIPLE 12: The sovereign wealth funds' operations and financial statements should be audited annually by recognized international or national auditing standards in a consistent manner.

Article 6 of Law No. 6741, states that the TWF is subject to a three-layer audit framework. These are, independent external audits in line with International Financial Reporting Standards, audits by the State Supervisory Board of annual financial statements and activities, and finally, the Turkish Grand National Assembly Plan and Budget Committee audit. In addition, TWF Management Co. also established its internal audit structure through its Audit Committee.

PRINCIPLE 13: Professional and ethical standards should be clearly defined and made known to the members of the sovereign wealth funds governing body(ies), management, and staff.

Articles 9 and 14 of the Decision of the Council of Ministers cover the basic principles, while TWF Management Co. defines the Code of Conduct encompassing professional and ethical guidelines.

PRINCIPLE 14: Dealing with third parties for the sovereign wealth funds operational management should be based on economic and financial grounds and follow clear rules and procedures.

All dealings and transactions with third parties are based on economic and financial foundations. TWF Management Co. carries out tendering processes before related contracts govern third-party appointments and relationships.

PRINCIPLE 15: The sovereign wealth fund operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

The TWF does not have any overseas investments as of the end of 2020 but is committed to complying with all applicable laws and regulations in the jurisdiction of any future investments.

PRINCIPLE 16: The governance framework and objectives, as well as how the sovereign wealth funds management are operationally independent of the owner, should be publicly disclosed.

TWF Management Co. is the exclusive fund manager of the TWF, and its Board of Directors consists of representatives from the government, public sector, and private sector. The structure of the Board allows TWF Management Co. to operate independently as a joint-stock company while also in compliance with national economic objectives.

PRINCIPLE 17: Relevant financial information regarding the sovereign wealth fund should be publicly disclosed to demonstrate its economic and financial orientation, contribute to stability in international financial markets, and enhance trust in recipient countries.

According to Article 18 of the Decision of the Council of Ministers, the TWF is committed to regularly publishing annual reports on its website.

PRINCIPLE 18: The sovereign wealth funds investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies) and be based on sound portfolio management principles.

The TWF carries out all its operations according to its Roadmap and Strategic Investment Plan approved by the Board of Directors. All investment decisions are subject to final approval by the Board of Directors; the TWF will publish its annual reports through its website as per Article 18 of the Decision of the Council of Ministers.

PRINCIPLE 19: The sovereign wealth funds investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy and based on economic and financial grounds.

The TWF seeks to maximize portfolio assets' value and investment returns as per its approved Roadmap. All investment decisions are subject to the Board of Directors. The TWF ensures its assets are managed in accordance with generally accepted practices and principles.

PRINCIPLE 20: The sovereign wealth fund should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

TWF is committed to complying with the principle in question.

PRINCIPLE 21: The sovereign wealth fund regards shareholder ownership rights as a fundamental element of their equity investments' value. If a sovereign wealth fund chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and that protects the financial value of its investments. The sovereign wealth fund should publicly disclose its general approach to selecting securities of listed entities, including the key factors guiding its exercise of ownership rights.

The TWF will be represented on the boards of directors of its portfolio companies to monitor and evaluate financial performance indicators closely. The TWF may exercise its ownership rights to protect its interests if and when necessary. The TWF complies with the applicable laws and regulations regarding the listed entities within its portfolio.

PRINCIPLE 22: The sovereign wealth fund should have a framework that identifies, assesses, and manages the risks of its operations.

The Board of Directors governs all risk-related matters through the Early Detection of Risk Committee. The TWF will establish the necessary reporting systems to identify, assess, and manage risks, as described under Articles 10, 11, and 12 of the Decision of the Council of Ministers.

PRINCIPLE 23: The assets and investment performance (absolute and relative to benchmarks, if any) of the sovereign wealth fund should be measured and reported to the owner according to clearly defined principles or standards.

According to Article 18 of the Decision of the Council of Ministers, the TWF is committed to the regular publishing of annual reports on its website.

PRINCIPLE 24: A process of regular review of the implementation of the General Accepted Accounting Principles should be engaged in by or on behalf of the Sovereign wealth fund.

The TWF conducts an annual review of the General Accepted Accounting Principles implementation.

Contact and Company Information

Reporting Period:

1 year period between 01.01.2020 - 31.12.2020

Company Title:

Türkiye Varlık Fonu Yönetimi A.Ş.

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