

BOARD OF DIRECTORS CHARTER

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Board of Directors Charter Version Control and Approval

Revision History				
Revision Number	Issue Date	Amendment Description	Date Effective	Next Revision Date
4		<ul style="list-style-type: none"> - Corporate governance responsibility has been transferred from EXCOB to Board Remuneration and Corporate Governance Committee (BRCGC), after REMCOB's name has been changed to BRCGC per Board resolution, and - A detailed review and proofreading has been made with a view to improving quality of the English language. 		

Review		
Authorised Reviewer	Date	Signature(s)
Corporate Affairs Office Manager		
CEO		
Approval		
Authorised Approver	Date	Signature(s)
BRCGC		
Board of Directors		

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BOARD OF DIRECTORS CHARTER

I. Introduction

The Board of Directors is responsible for the stewardship of the Bank and providing effective leadership to supervise the Management of Alternatif Bank (hereinafter the 'Bank') to grow value in a profitable and sustainable manner. This Charter principally applies to the Board of Directors of Alternatif Bank.

Alternatif Bank's Board Charter is developed in accordance with the Corporate Governance best practice, Turkish Commercial Code, Banking Regulation and Supervision Agency's (BRSA) Instructions to Banks, Banking Regulation and Supervision Agency's Corporate Governance Guidelines and Alternatif Bank's Articles of Association.

In the event of conflict between the Board Charter and Articles of Association then the latter's requirements shall prevail.

This Charter may be amended by a majority vote cast by the members of the Board present at any valid and quorum-compliant meeting, on condition that the proposed amendment or amendments should not contradict with the Bank's Articles of Association (unless any such articles are amended by an extraordinary Annual General Meeting) and the applicable laws and regulations referred to above.

II. Board Meetings

1. Venue

- 1.1. The Board of Directors shall hold its meetings at any location chosen by the Board upon invitation of the Chairman or Vice Chairman or upon the request of another member of the Board as approved by the Chairman.
- 1.2. Members may participate by conference call or video conference.

2. Frequency

- 2.1. In line with Alternatif Bank's Articles of Association, at least six Board meetings (minimum once every two months) shall be held during each financial year. Board meetings are scheduled in the Board Calendar according to key events and coinciding with financial period closures of the Bank.

3. Corporate Affairs Office Manager

- 3.1. The Corporate Affairs Office Manager may only be appointed and removed by a Board resolution.
- 3.2. The Board determines the incumbent's scope of work and remuneration. The Corporate Affairs Office Manager is responsible for maintaining and safekeeping Board documentation and for the distribution of Board meeting agendas, invitations, other required documentation, and the distribution of Board meeting minutes and resolutions.
- 3.3. Under the direction of the Chairman, the Corporate Affairs Office Manager shall also be in charge of ensuring timely access to information and coordination among the Board members as well as between the Board and other stakeholders, management and employees.
- 3.4. The Corporate Affairs Office Manager is also responsible for providing orientation material and scheduling orientation sessions for new Board members.
- 3.5. The Corporate Affairs Office Manager is responsible for drafting the meeting agenda.

4. Invitation and Agenda

- 4.1. The Chairman of the Board of Directors determines the agenda of the Board meeting together with other Board members and the CEO.
- 4.2. The Meeting Agenda, together with any materials that members should refer to will be circulated by the Corporate Affairs Office Manager at least five (5) working days prior to the meeting; invitations can be sent through email or mail to the members.
- 4.3. The Board may invite Alternatif Bank's management, staff or any other third party to attend the meetings to obtain information, recommendations and clarifications as required.

5. Meeting Quorum and Attendance

- 5.1. A meeting of the Board shall not be valid unless it is attended by the majority of the Board members. This rule also applies for the meeting held in an electronic environment.
- 5.2. A meeting of the Board may be held by telephone or video conference call, and such participation shall be considered presence in person at such meetings.

6. Resolutions

- 6.1. Board resolutions are decided by a majority vote of the attendees and representatives.
- 6.2. In case of a tie in the number of votes, the resolution is voted one more time on the next meeting and if the tie continues the resolution is declined. Members' objection, if any, should be recorded in the minutes of the meeting.

7. Minutes of the meeting/Board decisions

- 7.1. Board meetings are recorded by the Corporate Affairs Office Manager. Minutes shall be kept of each Board meeting and such minutes along with a schedule of action items shall be circulated within seven working days after the meeting to all Board members. Unless members provide their comments on or objections to the meeting minutes within seven working days after receipt of the draft minutes of the last Board meeting, such minutes shall be deemed and treated to be in the final form.
- 7.2. The minutes of meeting and resolutions are drafted both in Turkish and English separately. The official minutes of meetings and resolutions of the Board are kept in Turkish. In case of discrepancy between the English and Turkish versions, the Turkish version will prevail and all necessary actions will be promptly carried out in order to correct the English version.

III. Board Composition**1. Number of Members**

- 1.1. A Board of Directors composed of at least five (5) members and thirteen (13) members at the most shall be elected by the Annual General Meeting through secret ballot.
- 1.2. The Board shall elect by secret ballot a Chairman and a Vice Chairman for the full term of the Board.
- 1.3. The Chairman shall not hold or exercise the position of Chairman and CEO at the same time.
- 1.4. No one person in the Board shall have unfettered power to take decisions.
- 1.5. The Bank will adopt the BRSA definitions of the non-executive and independent Board member.

IV. Roles and Responsibilities

1. Main Duties

- 1.1. The Board is entrusted by the shareholders with the authority to govern the Bank and to perform following main duties.
 - 1.1.1 Establish Board committees and set their authorities and duties. Review, and approve at least annually the work of Board Committees.
 - 1.1.2 Appoint, renew the mandate of a CEO whom will be delegated the authority to supervise and manage the performance of the Bank's management in implementing Board decisions, guidelines, and strategic direction.
 - 1.1.3 Define the roles, responsibilities and duties of the CEO and the information to be reported by the CEO to the Chairman and the Board.
 - 1.1.4 Appoint advisors to the Board and set their roles, responsibilities, duties and remuneration. The Board may consult at the Bank's cost any independent expert or consultant.
 - 1.1.5 Review and approve Alternatif Bank's organisation structure and reporting lines.
 - 1.1.6 Approve financial commitments in excess of delegated authorities to Board Committees and Bank Management.
 - 1.1.7 Review and assess Alternatif Bank's Financial Statements and other disclosures prior to announcement to shareholders.
 - 1.1.8 Make enquiries about potential problems that come to the Board's attention and follow up until the Board is satisfied that Management is addressing such issues appropriately.
 - 1.1.9 Board shall also enjoy all other rights and perform all other responsibilities vested on it by the Turkish Commercial Code and BRSA Corporate Governance Guidelines that may not be mentioned in this document.
- 1.2. The Board shall have full and immediate access to information, documents, and records pertaining to the Bank. Bank Management shall provide the Board and its committees with all requested documents and information. All Board members shall have access to the services of the Corporate Affairs Office Manager.
- 1.3. The Board of Directors shall have ultimate responsibility for establishing the internal systems in accordance with the BRSA's Internal Systems Regulations. The responsibilities of the Board of Directors shall include ensuring the establishment, functionality, appropriateness and adequacy

of internal control, risk management and internal audit systems in conformity with the applicable legislation; securing financial reporting systems; and specification of the powers and responsibilities within the bank.

2. Strategy, Policies and Planning

- 2.1. Provide the strategic direction to Alternatif Bank by approving the Bank's vision and mission periodically, and as and when deemed necessary approve and lead the development of the strategic plan and business objectives.
- 2.2. Review and recommend improvements and approve strategic initiatives including new business ventures and material investments and divestitures.
- 2.3. Set and periodically review policies of the Bank.

3. Finance and Audit

- 3.1. Approve the Bank's annual budget.
- 3.2. Monitor the financial performance of the Bank on a periodic and at least quarterly basis.
- 3.3. Ensure that Alternatif Bank maintains adequate levels of capital and reserves, according to sound commercial practices and applicable banking regulations.
- 3.4. Review periodically in conjunction with the Board Audit and Compliance Committee the arrangements with the External Auditors, in order to ensure their activities and resources are in accordance with the activities and risks of Alternatif Bank.
- 3.5. Nominate the External Auditor to the Annual General Meeting and review Audit Reports from the External Auditor; direct management to improve raised audit concerns accordingly.
- 3.6. Appoint the Head of Internal Audit and the Compliance Officer, based on Board Audit and Compliance Committee's recommendation.
- 3.7. Supervise the work of Internal Audit and Internal Control and Compliance Departments through the Board Audit and Compliance Committee.
- 3.8. Discuss with the Board Audit and Compliance Committee the matters relating to internal audit, internal control and compliance, inspection reports, external audit, and financial statements related disclosures.

3.9. Submit to the Annual General Meeting a clear policy on dividend distribution.

4. Governance, Risk and Compliance

4.1. Oversee the overall corporate governance of Alternatif Bank. Review and approve the Corporate Governance Charter and governance principles recommended by the Board Committees, Executive Management and External Consultants.

4.2. Receive and evaluate recommendations from the Executive Committee of the Board and provide recommendations annually on Board duties and responsibilities, Board Committees' charters, Code of Ethics, and job descriptions of CEO and other key executives.

4.3. Supervise and ensure proper implementation of internal audit, internal control and risk management systems, mainly through the Board Audit and Compliance Committee and Board Risk Committee.

4.4. Ensure that Alternatif Bank is in compliance with its Articles of Association and applicable local and international laws and regulations. Receive and review any material legal cases brought against the Bank periodically.

4.5. Review Bank's policies, directly or through a delegated committee, periodically to ensure they are adequate, suitable and in line with the internal and external business and economic conditions.

4.6. Appoint, retain, oversee, compensate and terminate independent advisers who assist the Board in their activities.

4.7. Appointing one of the non-executive Board members as Internal Systems Responsible who shall also act as the Anti-Money Laundering Responsible.

5. Responsibility to Shareholders

5.1. Provide shareholders with timely information to be able to take appropriate and informed decisions in the Annual General meeting.

5.2. Ensure the fair treatment of all shareholders in accordance with the regulations.

5.3. Ensure that a transparent process of shareholder relations is in place including procedures for disclosures and communication.

5.4. Ensure the development of a remuneration policy and present the same to the Annual General Meeting.

- 5.5. Ensure the required reporting to regulatory authorities in accordance with relevant prudential regulations.
- 5.6. Strive to maintain and elevate the value of the investment made by the shareholders, being the ultimate owners of the Bank.

6. Unalienable Duties and Authorities

- 6.1. Managing the Bank on a high level and making instructions accordingly.
- 6.2. Defining the Bank's management organisation.
- 6.3. Establishing a proper financial planning environment required by accounting, finance, audit and management functions.
- 6.4. Appointing and removing management and employees authorised to sign on behalf of the Bank.
- 6.5. Monitoring the management on a high level regarding their compliance to laws, articles of association, internal regulations and directives.
- 6.6. Keeping the records of shares, Board decisions, Annual General Meetings. Preparing the annual report, corporate governance disclosure and presenting them for the approval of the Annual General Meeting. Organising the Annual General Meetings and enforcing the decisions taken in those meetings.
- 6.7. Informing the courts in case of a bankruptcy.

7. Annual General Meeting and Extraordinary General Meeting

- 7.1. Annual or Extraordinary General Meeting is planned, announced, executed and recorded as stated in the "Internal Directive on the Working Principles of the General Assembly" and as set forth in the first section of the article 14 of the Articles of Association.

V. Board Committees

1. Overview

- 1.1. Board Committees are formed in order to assist the Board by providing organised and focused means to achieve the Bank's goals and to properly address issues on a timely and in an effective manner. Alternatif Bank established "Board Credit Committee", "Board Audit and Compliance Committee", "Board Risk Committee", "Executive Committee of the Board" and "Board Remuneration and Corporate Governance Committee"

in accordance with leading governance best practices and as per applicable local governance regulations.

- 1.2. An overview of these Committees is provided here, whereas each abides by its own detailed Charter. Board Committees regularly report to the Board on their proceedings, deliberations and decisions.

2. Executive Committee of the Board

- 2.1. The Board appoints an Executive Committee.
- 2.2. The Board is entitled to review the Committee's charter whenever deemed necessary.
- 2.3. This Committee acts as a consultative body to the Board, which handles matters that require the Board's review, but may arise between Board meetings. The Committee assists the Board in detailed reviews and analysis which could be done prior to a Board meeting.
- 2.4. The Executive Committee of the Board is also delegated certain advisory authorities by the Board with respect to Bank's major investment decisions.
- 2.5. Review and develop the long term strategy, brand, vision and mission of Alternatif Bank.
- 2.6. Review and develop the annual business plan and budget in line with the long term strategy and changes in economic market, and regulatory environments.
- 2.7. Monitor and evaluate the Bank's performance periodically against the approved strategy, business plan and budget.
- 2.8. Review and pre-approve the Bank's proposed policies that fall under the Committee's jurisdiction, prior to final approval being sought from the Board of Directors.

3. Board Audit and Compliance Committee

- 3.1. The Board appoints a Board Audit and Compliance Committee.
- 3.2. The Board is entitled to review the Committee's charter whenever deemed necessary.
- 3.3. The members should not have worked in the external audit company of the Bank during the past two years.

- 3.4. The Board Audit and Compliance Committee should review and assess the financial and accounting policies, financial controls, internal controls, compliance and risk management systems of Alternatif Bank on a regular basis.
- 3.5. The Internal Audit Department and Internal Control, Legislation and Compliance Department Alternatif Bank report directly to the Board Audit and Compliance Committee.
- 3.6. The appointment of External Auditors is recommended by the Board Audit and Compliance Committee to the Board, and then the Board will review and recommend the same for approval in the Annual General Meeting.

4. Board Remuneration and Corporate Governance Committee

- 4.1. The Board appoints a Remuneration and Corporate Governance Committee.
- 4.2. The Board is entitled to review the Committee's charter whenever deemed necessary.
- 4.3. Board Remuneration and Corporate Governance Committee is responsible for setting the Bank's remuneration framework for the Board Members, Management and staff, and present the same to the Board, subject to further approval by the shareholders at the Annual General Meeting. In addition, the Committee prepares a remuneration policy that shall indicate the performance-related remuneration components including measurable standards focusing on long term interests.
- 4.4. The Committee also assumes responsibility for monitoring the compliance with the Bank's corporate governance principles as well as conducting improvement studies, and making recommendations to the Board in this respect as defined by BRSA Corporate Governance Principles.
- 4.5. On a periodic basis, the Committee reviews and assesses any changes to international and local corporate governance practices and applicable regulations that could impact Alternatif Bank's activities and recommends any required changes in practices and documentation to the Board of Directors for review and approval.

5. Board Risk Committee

- 5.1. The Board appoints a Risk Committee.
- 5.2. The Board is entitled to review the Committee's charter whenever deemed necessary.
- 5.3. The Board Risk Committee is responsible for all aspects of enterprise wide risk management including, but not restricted to business, credit,

market, operational, legal and reputational risks.

- 5.4. The Committee will set forth risk policies, criteria and control mechanisms for all activities involving any types of risk.
- 5.5. The Committee reviews policies on all risk matters, maintains oversight of all Bank risks through the Management Risk Committee (MRC), Asset and Liability Committee (ALCO), the CEO and the Head of Risk Management.

6. Board Credit Committee

- 6.1. The Board appoints a Credit Committee.
- 6.2. The Board is entitled to review the Committee's charter whenever deemed necessary.
- 6.3. The Board Credit Committee approves credit facilities in accordance with the mandate and directive provided by the Bank's Board of Directors.
- 6.4. The Board Credit Committee recommends credit facilities to the Board of Directors where these are above the delegated authority of BCC.

VI. Board Membership

1. Qualifications & Conditions

Member qualifications below should also be considered based on the articles of association of Alternatif Bank, the Turkish Commercial Code and other applicable regulations:

- 1.1. Should comply with the Banking Law.
- 1.2. The candidate member should possess the knowledge and skills required to provide leadership by setting the vision, principles, values and strategic plan, and to supervise the Bank's Management to ensure maximisation of shareholder wealth.
- 1.3. Expertise in banking, international markets and managing complex businesses are considered complementary qualifications.
- 1.4. The members should be able to commit time and effort necessary to fulfil all Board membership responsibilities, including a review of required reports, assessment of relevant performance, and attendance of meetings, as described in various sections of this Charter.

- 1.5. Members should hold characteristics such as integrity, enthusiasm, strong leadership traits, ability to work as a team member, and also eagerness and commitment to work for the benefit of the Bank in line with Alternatif Bank's overall vision and the Bank's Code of Ethics.
- 1.6. One more than half of the Bank's Board Members having at least a bachelor's or master's degree in Law, Economy, Business, Finance, Banking and Public Administration and in equivalent fields.
- 1.7. CEO of the Bank is a natural member of the Board of Directors.

2. Nomination and Term

- 2.1. The Board shall establish a transparent nomination process which is managed by the Board Remuneration and Corporate Governance Committee.
- 2.2. Board Remuneration and Corporate Governance Committee will review proposals for re-election/replacement of members and provide their recommendation to the Board. The Board will subsequently present the nominated person's curriculum vitae and recommendations to the Annual General Meeting for final approval.
- 2.3. Members of the Board of Directors shall be elected or re-elected on an annual basis.

3. Member Placement

Member placement is done in accordance with standards set by the Turkish Commercial Code and Banking Law.

- 3.1. Chairman and members of the Board of Directors of the Bank shall be required to take an oath in the presence of the local commercial court after their appointment or election.
- 3.2. If the post of any Board member becomes vacant, he shall be succeeded by a designated candidate proposed by the Board of Directors. The new member will continue the term of his predecessor only and will be presented for approval at the Annual General Meeting as stated in the "2. Nomination and Term" section of this charter.
- 3.3. In case one quarter of the Board positions become vacant, the Board should call an Extraordinary General Meeting to appoint replacement members within two months of the date the last position is vacated.

4. Provisions and Exceptions

- 4.1. A Board Member cannot take out loans, directly or indirectly, for themselves and natural and legal entities considered to be mediated with them, cannot ensure guarantee or security and cannot sell bonds or securities to the Bank.
- 4.2. A Board Member cannot take part in negotiations or vote related to conflict of interests on his own interest outside of the Bank or credit assurance and guarantee demands of a person from his upper and lower lineage or spouse or blood and in-law kins up to and including third degree and their personal and their interests outside the Bank. This prohibition will also be applied in cases where members of the Board do not participate in a negotiation in good faith. In cases of uncertainty; decision is taken by the Board of Directors. The member in question cannot participate in this voting, as well. Even if conflict of interests is not known by the Board of Directors, related member is required to reveal this and abide by the prohibition. The reason for not participating in the discussion due to prohibition and related operations will be written on the decision of the Board of Directors. Banking Law provisions are reserved regarding credit operations where the members of the Board of Directors themselves and their spouses and their children under their care or other natural and legal entities forming a risk with them are parties.
- 4.3. A Board Member cannot conduct other work, actions and operations that are prohibited by the legislation.

5. Resignation

- 5.1. A Board Member may resign from the Board on condition that appropriate timing and conditions are agreed with the Board of Directors.

VII. Board Code of Ethics

All Board Members shall comply with the Bank-wide Code of Ethics in addition to the Board Code of Ethics section of this charter. Please refer to the Bank-Wide Code of Ethics and Working Principles for further details.

1. Accountability

- 1.1. Board Members will act in good faith and exercise care and diligence at all times;
- 1.2. Board Members will take reasonable steps to be fully aware of the relevant issues of the Bank.
- 1.3. Board Members will act within the scope of the authority entrusted to them under the Bank's articles of association, duly enacted Board directives, shareholder resolutions, and related laws and regulations. Board members acting outside the scope of their authority shall be liable for Bank losses suffered as a result of such unauthorised actions.

2. Transparency

- 2.1. Board Members follow Alternatif Bank's values and act honestly and with integrity in all their dealings.
- 2.2. Board Members act in good faith and in Alternatif Bank's best interest, not in the personal interest of themselves, interest of family members or any organisation with which the member is affiliated. The Board Members do not use their position for personal gain and should be free from any influence of conflict of interest when they participate in Board and Board Committees' deliberations and voting.
- 2.3. The Board promotes ethical behaviour and encourages an open environment where Board Members and Employees are encouraged to report any unethical behaviour observed and not permit retaliation for reports of misconduct made in good faith.
- 2.4. Members of the Board shall disclose any conflict of interest and third party transaction to the Board of Directors using the relevant disclosure form.

3. Fairness

- 3.1. Board Members always strive to deal fairly with Alternatif Bank's management, shareholders, suppliers, competitors, customers, employees and other business partners. Board Members avoid taking unfair advantage of anyone through manipulation, or concealment of privileged information, misrepresentation of material facts, or any other unfair dealing practices.
- 3.2. Business entertainment and gifts are offered only in a commercial setting to create goodwill and sound working relationships and not to gain unfair advantage. It should be noted that Board Members and their family members may not accept gifts from individuals or other entities, where such are offered to influence the Board Member's actions related to Alternatif Bank's business activities.

4. Sustainability

- 4.1. Board Members always use their professional experience and skills and commit adequate time and effort in order to serve Alternatif Bank and secure sustainable returns for its shareholders.
- 4.2. The Board Members are responsible for having an appropriate understanding of their role and duties, and for educating themselves in financial, business, and industry practices as well as the Bank's operations and functioning. In this respect, the Board shall adopt an appropriate formal training to enhance Board Members' skills and knowledge. Every newly selected Board member will upon his election become familiar with the Bank's structure, management and all other information enabling the said Board member to assume his responsibilities.

- 4.3. The Board Members actively promote the continuous improvement of the Bank procedures and practices while adhering to the policies and standards. They also encourage achievement of knowledge at all levels to help personal and organisational success.
- 4.4. The Board Members protect Alternatif Bank's assets, ensure their efficient use and make sure the assets are used for legitimate business purposes.

5. Confidentiality

- 5.1. The Board Members maintain the confidentiality of all proprietary, sensitive or important information of Alternatif Bank entrusted to them, except when disclosure is authorised or legally mandated or instruction is received for investigation purposes. All non-public information of Alternatif Bank is considered confidential information. Board Members who have access to confidential information will not share this information for any purpose.