

## **TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş. SALARY POLICY**

Established as per the Corporate Management Principles of the Turkish Banking Regulation and Supervision Agency (BDDK) and the Capital Markets Board of Turkey, along with the long-term goals set for the Bank's main activities and strategies, the Remuneration Policy of the Development and Investment Bank aims to ensure that the Bank's remuneration procedures are in compliance with the risk management structures and internal balance, preventing excessive risk-taking and contributing to effective risk management, and it further intends to reveal the remuneration principles embraced to provide the most suitable human resources for the Bank's operations.

### **As for the Salary Policy Practices:**

The Board of Directors has the right to make changes to the Remuneration Policy in light of the recommendations by the Remuneration Committee where necessary; amend the variable pay where required to do so when the respective rights are to be earned in the future; and exercise its discretionary power to adjust salaries and fringe benefits in order to avoid situations that may lead to unfair or unwanted consequences.

It is the responsibility of the Board of Directors to review the Remuneration Policy, as well as the relevant processes and practices at least once a year and to ensure that necessary actions are taken against the findings of such reviews. Without any prejudice to its responsibility, the Board of Directors performs this task through the Remuneration Committee.

The Remuneration Committee prepares the decisions submitted for the approval of the Board of Directors for remuneration related matters; periodically monitors the effectiveness of the Remuneration Policy, as well as its compliance with the Bank's risk appetite and goals; and supports the Board of Directors with regard to overseeing how the remuneration system is established and functions.

The Committee performs the following as part of its duty under this Policy:

- Working for the benefit of the Bank's shareholders, customers and the public.
- Paying attention to the legal regulations when establishing the Remuneration Policy.
- Reviewing the Remuneration Policy at least once a year.
- Expressing opinions to the Board of Directors with regard to establishing an effective remuneration system and overseeing its functionality.
- Designating the principles, criteria, and practices to be used in the Remuneration Policy in line with the company's long-term goals and presenting relevant recommendations to the Board of Directors.
- Reviewing the Headquarters' recommendations on the improvement of the remuneration policies and submitting the appropriate changes for the approval of the Board of Directors.

The General Manager determines, within the limits established under the Guideline on Salaries and Other Rights, the Fixed Salaries and Other Rights of staff members, along with the beneficiaries of such rights.

The General Manager performs the following as part of their duty under this Policy:

- Taking into account the recognized salaries and other rights in the sector.
- Paying attention to the scope, quality, quantity, and risks associated with the jobs performed.
- Considering the internal balance.
- Striving to come up with regulations that will help with employee retention.

The Human Resources Management Department is responsible for conducting research on remuneration related matters, updating the Remuneration Policy, applying the remuneration management processes, and carrying out the payroll procedures.

The Financial Affairs Department is responsible for confirming whether payments and other amounts included in the payment schedule are in compliance with the budget.

## **GENERAL PRINCIPLES**

### **Remuneration Management Goals**

The Bank has a Remuneration Management System in place to establish justice and internal balance; ensure high performance, sustainable success, and the achievement of goals; and to keep the costs at an expected level.

What the Bank aims for with an effective remuneration management:

- Ensuring that the Bank attracts the desired number of new talents with much sought-after skills,
- Strengthening employee commitment,
- Maintaining employee motivation at a high level,
- Keeping the staff focused on the Bank's goals,
- Rewarding success,
- Keeping the costs under control,
- Achieving the strategic goals.

### **General Principles in Remuneration**

The Bank's remuneration structure is shaped around certain issues including but not limited to the following:

- Market conditions,
- Sector-specific data and research,
- The Bank's internal remuneration balance,
- Budget capabilities,
- Staff competencies and performance,
- Job scope, quality, and quantity,
- Job nature and risk profile,
- Compliance with internal and external legislation, as well risk management policies.

The level of salary must be competitive and based on job performance.

### **Remuneration Management Elements**

The Bank's remuneration structure is grouped into two categories, namely (1) Fixed Salary and (2) Other Rights.

#### **Fixed Salary**

This refers to the entire fixed cash payments that are guaranteed in advance to be made in return for the job performed.

- Fixed Salary payments are made monthly and in gross terms.
- The Fixed Salary scheme must be comparable with the amounts paid for similar positions and roles in the banking sector.
- The Fixed Salary for each staff member must be determined taking into account the Bank's internal balance and the responsibilities and competencies of the relevant individual.

### **Other Rights**

These include every single additional benefit given to the staff so as to offer them a better future, improve working/living conditions, provide economic assurance, and minimize risks. Such rights are provided to the Bank personnel according to the terms stipulated in the Guideline on Salaries and Other Rights.

### **Salary Setting**

Fixed Salary raises are decided in accordance with economic conditions, budget, liabilities arising from the relevant legislation or contract, performance, and market practices.

Salary raises are determined according to the following main principles:

- Sector-specific equivalent of the position,
- Internal balance,
- Promotions,
- Change of duty,
- Skills and experience,
- Scope, quality, quantity, and risks associated with the job performed,
- Improvement in performance or professional productivity,
- Previous period's inflation rate and/or estimated future inflation rate,
- The Bank's position in the sector.

In addition to the application of the principle of "equal pay for equal work", performance is also taken into consideration for salary raises. Staff who show higher performance are given a higher salary raise.

Salary raises are made in Q1 of each year.

Salary raises dependent on promotion take effect starting from the date of the promotion and are included in the respective month's salary.

### **Payments to the Board Members**

The fixed monthly salary and other payments for the Board Members are designated by the General Assembly.

In order to comply with the Communiqué (Serial IV, No. 56) on the Procedures of Designation and Implementation of Corporate Management Principles published in the Turkish Official Gazette dated 30.12.2011 and numbered 28158, the Bank does not apply payment plans that are based on stock options or the company performance in the remuneration of the independent board members. However, salaries paid to the independent board members must be on a level to maintain their independency.

In addition, in order to comply with the Guide on the Good Remuneration Practices in Banks published by the BDDK, non-executive members of the Board and members of the Remuneration Committee must only be given a pay with a fixed nature so as to prevent conflicts of interest.