



TWF 2022

Türkiye Wealth Fund

Pillar 1: Legal

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

Being the exclusive fund manager of Türkiye Wealth Fund (hereinafter referred as 'TWF'), Türkiye Wealth Fund Management Company (hereinafter referred as 'TWF ManCo'), a joint-stock company subject to private law, was established with the [Law No. 6741](#) published in the Official Gazette on 26 August 2016. [The Decree of the Council of Ministers dated 17 October 2016](#) (hereinafter referred as the 'Decree') regarding the process and principles of the structure and operations of TWF ManCo (Turkish name: Türkiye Varlık Fonu Yönetimi Anonim Şirketi) was published in the [Official Gazette on 9 November 2016](#). The Law No. 6741 and the Decree are publicly available information under the [Official Gazette of the Republic of Türkiye](#) and [TWF's website](#).

Putting aside the mainly formal and conceptual amendments directed to the harmonisation to constitutional changes related to adoption of presidential government system, some material amendments on "Exemptions and Exceptions" section of the Law No. 6741 were made with the law changing the [Law No. 6741 adopted on 26 May 2022, published on 28 May 2022](#).

The current version of the [Law No. 6741 can be reached at TWF's website](#).

Following the Law No. 6741 and the Decree, TWF ManCo's Articles of Association and TWF's by-laws were also published in the Türkiye Trade Registry Gazette on 28 December 2016 and 30 January 2017 respectively. Some sections of the Articles of Association of TWF ManCo and by-laws of TWF were amended on 31 March 2021 and these amendments were published in the Trade Registry Gazette dated 5 April 2021.

TWF is managed and represented by TWF ManCo, being said, according to the Article 5 of the Law No. 6741, assets and rights transferred to TWF shall be registered under TWF's name. With the latest amendments which were published in the [Official Gazette numbered 31849 and dated 28 May 2022](#), the

wording in Article 8 of the Law No. 6741 has been aligned with the general structure of the Law No. 6741 and therefore the ambiguity related to whether TWF ManCo or TWF shall be the founder has been removed in the direction that TWF shall be the funding shareholder in the companies and sub-funds to be established.

In accordance with the Law No. 6741, TWF may establish strategic partnerships. With the latest amendments published on 28 May 2022, it has been outlined for such partnerships that the companies and sub-funds to be established by TWF and/or TWF ManCo will benefit same exemptions and exceptions granted for such companies and sub-funds on the condition that TWF remains the controlling shareholder.

Pursuant to Article 14, paragraph 1 of the Articles of Association of TWF ManCo, Board of Directors should convene at least 6 times in a year.

Principle 2

The policy purpose of the SWF should be clearly defined and publicly disclosed.

Article 1 of Law No. 6741 clearly defines the policy in Section 2 and Section 5 of Decree No 2016/9429, as well as the scope of activity.

In addition, TWF ManCo's Articles of Association and TWF's by-laws also include policy purpose and scope of activity.

TWF's mandate which has been approved by TWF ManCo's Board of Directors (hereinafter referred to as the 'Board') on 24 October 2018, the strategic objectives are as follows;

Enhance the value of assets within the Fund,

Provide equity to strategic investments in Türkiye,

Make equity investments to support Türkiye's international economic objectives,

Reinforce the improvement and deepening of financial markets.

TWF's mandate also disclosed in TWF's website under '[Our Mandate](#)' section.

Principle 3

3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

As per the Presidential decree dated 12 September 2018, [the Board](#) includes H.E. President as the Chairman, ensuring TWF remains consistent with national economic policies while executing its mandate and strategic plan.

Principle 4

4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

TWF's scope of activity and sources of finance including the founding capital are disclosed under Article 2 and Article 4 of the Law No. 6741.

TWF's Scope of activities are as follows:

- To carry out the purchase and sale of the shares of domestic and foreign companies, the shares and debt instruments of issuers established in Türkiye and abroad, capital market instruments issued based on precious metals and commodities, fund participation shares, derivative instruments, lease certificates, real estate certificates, specially designed foreign investment tools and other tools,
- To carry out all kinds of money market transactions,
- To evaluate real estate and real estate-based rights and all kinds of intangible rights,
- To provide all kinds of project development, project-based fundraising, external project credit extension and resource procurement with other methods,
- To achieve these goals; TWF makes use of debt and equity financing.

TWF's main sources of finance are assets and cash surplus transferred as per decision by the Government, income from dividends, licenses and real estates, borrowings from international and local financial markets through loans and issuance of capital market instruments.

Any financing or investment activities are announced in TWF's website under '[Disclosure section](#)'.

Principle 5

5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

TWF follows Article 18 of the Decree and is committed to publishing annual reports on its website under 'Reports section'. TWF also provides any related data sets with the Presidency of the Republic of Türkiye and shares information with the related Government Authorities when required.

Pillar 2: Institutional

Institutional Framework and Governance Structure.

Principle 6

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

TWF pursues highest standards of corporate governance for long-term value creation, contributing to sustainable economies, societies, and the environment.

Following [Article 6 of the Decree](#), the organizational structure and job descriptions are clearly defined.

TWF's Operational Management Team are responsible for;

- Conducting research and due diligence on projects/investment opportunities,
- Carrying out pre-feasibility analysis for the selected projects/investments,
- Conducting detailed analysis by getting support from expert advisors, and
- Contracting stage and final approval process.

TWF's Board provides final approvals and runs the execution.

As per Article 19 of the Decree; [Executive and Human Resources Committee](#), [Corporate Governance Committee](#), [Early Detection of Risk Committee](#) and [Audit Committee](#) which are attached to the Board are established under the scope of [Turkish Capital Markets Law No. 6362](#) in accordance with the corporate governance regulations.

Principle 7

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

TWF's strategic objectives and operations are governed by the Board that consists of representatives from the Government, public sector and private sector with diverse backgrounds and experience. The Board of TWF ManCo is regulated to be formed of at least five members who will be appointed through Presidential Decree.

All appointments are made regarding Appointment Procedures of Senior Government Executives and State Institutions and Organizations. H.E. President is appointed as the Chairman of the Board of TWF ManCo as per the Article 13 paragraph 2 of the Decree. The objectives of TWF are defined under Law No. 6741. TWF also cleared its mandate and received approval for its strategic investment plan through Board resolutions on 24 October 2018 and 17 April 2019 respectively.

Principle 8

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

According to Article 365 of the [Turkish Commercial Code](#), joint-stock companies are governed and represented by the boards of directors. Accordingly, the formation and operation of the Board is defined under Article 12 ("The Company shall be managed, represented and bound by a board"), Article 13 ("The term of office of the board members shall be specified in accordance with the provisions of the related legislation") and Article 15 ("The board shall fulfil the duties granted by related legislation") of the Articles of Association. Also, Article 13 of Decree stated that the members of board of directors and the general manager shall bear the conditions required⁶ in the relevant Presidential Decree Article 3 (i.e. adequate experience in international institutions and private sector). The Board convenes under the chairmanship of the H.E. President of the Republic of Türkiye and is the ultimate decision maker for all investment and financing transactions of TWF. The Board is authorized to represent and bind TWF ManCo as per relevant clauses of Turkish Commercial Code and the Articles of Association.

Duty of care and duty of loyalty are the indispensable attributes of the Board Members according to Article 369 of Turkish Commercial Code and the Board members are liable by law for prudent performance and protection of the company's interests.

By laws and articles explained above, Board has a clear mandate, adequate authority, and competency to fulfil its functions. The Board acts in good faith and for the sole purpose of realizing TWF's mandate. The current board of directors is disclosed on our [website](#).

Principle 9

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

The Board meets on a regular basis (not less than six times a year) as the ultimately accountable and responsible body for TWF's overall governance in line with Article 14 and Article 15 of the Articles of Association.

TWF ManCo's senior management proposes investment and financing projects to the Board through executive-level committees and is responsible for day-to-day execution of Board decisions. Executive Management operates independently and reports monthly to the Board.

The Ministry of Treasury and Finance, indirectly the sole shareholder of TWF ManCo, is not directly involved in investment decisions of TWF.

Principle 10

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

The Law No. 6741 and the Decree define the framework including executive-level committees; such as the [Executive and Human Resources Committee](#), Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee.

All the committees are formed to ensure the Board carries out its duties and responsibilities in a proper way. For instance, the Audit Committee's main activities include, but are not limited to, the quality and accuracy of the financial statements, its subsidiaries, monitoring the implementation and efficiency of accounting system, organisation of independent external audit. Corporate Governance Committee determines whether the corporate governance principles are applied in the company while Early Detection of Risk Committee carries out studies for the early detection of risks that may affect the development of the company and its projects and necessary implementation to manage. Executive and Human Resources Committee is responsible for the achievement of TWF's mandate and roadmap by focusing on developing and implementing understandable, consistent, and sustainable strategies and practice.

This legal structure determines TWF's commitment to corporate governance standards in line with the Capital Markets Law and three-stage audit mechanism which can be summarized as independent external audit in accordance with International Financial Reporting Standards (IFRS), Presidential audit, and the Parliamentary audit.

According to Article 16 of the Decree, the TWF ManCo, other companies to be established by the TWF ManCo, TWF and the sub-funds to be established within TWF are subject to both independent external audit and governmental audit as mentioned under paragraphs 2 and 3 of Article 6 of the Law. Such principle is also reflected in Article 20 of the Articles of Association and Article 10 of the by-laws.

Principle 11

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

TWF follows Article 18 of the Decree and is committed to publishing annual and financial reports through its website.

From 2021, TWF has aimed to implement International Integrated Reporting Framework. Therefore, TWF's annual report is expected to bring together material information about TWF's strategy, governance, performance, and prospects in a way that reflects the social and environmental context within which it operates.

Principle 12

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

As per the Law No. 6741, TWF has a three-stage audit mechanism which are independent external audit in accordance with International Financial Reporting Standards (IFRS), Presidential audit and The Parliamentary audit.

In addition, TWF conducts its internal audit led by the Audit Committee.

Principle 13

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

Article 9 and Article 14 of the Decree and Article 6 of the by-laws cover the basic principles, while TWF ManCo put in place a Code of Conduct that defines the professional and ethical guidelines on 09.04.2021. The Code of Conduct is regularly communicated to all employees and archived in a shared drive that everyone can easily reach internally. Professional and ethical standards online training materials that are prepared for public institutions are also put into use of all employees.

Principle 14

14. Dealing with third parties for the purpose of the SWF's 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 grounds. TWF ManCo conducts a tender process prior to third-party appointments and the relationships are governed by the related contracts and service level agreements which are executed in line with the internal policies and procedures in accordance with established legal norms.

Principle 15

15. SWF 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.

TWF does not have any overseas investments as of year-end 2021, but some of its portfolio companies have existing operations abroad. TWF is committed to comply with all applicable laws and regulations in the jurisdiction of any future investment.

Principle 16

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

TWF ManCo is a joint-stock company and the exclusive fund manager of TWF and is fully and indirectly owned by the Ministry of Treasury and Finance of the Republic of Türkiye.

TWF ManCo's Board consists of representatives from the Government, public sector, and private sector. The Board operates independently and acts in compliance with the national economic objectives. The Corporate Governance Committee provides assistance and ensures the Board carries out its duties and responsibilities independently. The Ministry of Treasury and Finance is not involved in investment decisions and day-to-day operations of TWF ManCo.

The Ministry of Treasury and Finance is informed yearly on financial statements by TWF ManCo.

According to Article 12 of the Decree, The Board fulfils the duties assigned by the procedures and principles, articles of association, by-laws, general assembly resolutions and relevant legislation. The Board is authorized to take decisions on all matters other than the ones subject to the law, procedures and principles, by-laws, articles of association and resolution from the general assembly.

Principle 17

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

TWF follows Article 18 of the Decree and is committed to publishing annual and financial reports through its website on a regular basis.

Starting from 2021, the annual report which will be in line with the International Reporting Framework, will also include developments and outcomes related to TWF's ESG (Environmental, Social and Governance) efforts.

Pillar 3: Investment

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Principle 18

18. The SWF's 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.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

TWF's [mandate](#) and strategic objectives are to enhance the value of assets within the Fund, to provide equity to strategic investments in Türkiye, to make equity investments in order to support Türkiye's international economic objectives, to reinforce the improvement and deepening of financial markets which is disclosed on its website, gives a clear understanding of its investment policy.

TWF received approval for its mandate by Board Resolution on 24 October 2018, and its strategic investment plan by its Board resolutions dated 17 April 2019.

All investment decisions are subject to final approval by the Board and TWF will continue publishing its annual reports through its website as per Article 18 of the Decree.

As of September 2022, TWF has drafted its ESG Policy which has been recently approved by its Board of Directors. The approved policy will be published on our website subsequently. The purpose of this policy is to establish a framework to govern TWF's approach to ESG, which includes providing guidance on integrating ESG factors into TWF's investment decisions and activities across its operations. The Policy is expected to be publicly disclosed and relevant sub-policies related to responsible investment are expected to be developed in the medium term.

Principle 19

19. The SWF's 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.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

TWF seeks to maximize the value of its portfolio assets and the return from investments as per its approved mandate.

TWF management team consists of experienced investment professionals. TWF carries out necessary pre-feasibility and due diligence processes to achieve optimal risk-adjusted returns from its investment decisions which are solely based on economic and financial grounds. Moreover, TWF discloses its investment activities in annual report and makes statements to Public Disclosure Platform (KAP) when necessary.

TWF ensures its assets are managed consistently with the generally accepted principles. Being in line with its mandate, TWF aims to add value to its portfolio by managing its assets transparently in a commercial basis.

Principle 20

20. The SWF 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 subject Principle.

TWF does not have or access any privileged information through the government that would harm the competition in the market with other private entities.

TWF aims to be accountable, discrete, and transparent in all its business and activities. It follows these principles in all decision processes to adhere to international corporate governance standards. TWF employees act both individually and as a team in a manner of conduct which is in accordance with the principles of the company. There are information barriers between the departments to separate the activities and projects. All employees are committed to a high level of professionalism and discipline.

TWF employees, with its internal procedures are neither allowed to use any privileged information for personal purpose nor trade in the stock market.

Principle 21

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

TWF has representation in its portfolio companies' Board of Directors to monitor and evaluate financial performance indicators. If and when necessary, TWF may exercise its ownership rights to protect its interest as appropriate. In relation to the listed entities under its portfolio, TWF follows the applicable laws and regulations.

Principle 22

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

Principle 23

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

TWF is committed to publishing annual and financial reports through its website on a regular basis as per Article 18 of the Decree.

By the end of 2021, TWF also selected a list of material ESG topics, based on the scope of its portfolio. For each material topic, TWF has outlined key strategic objectives which will be measured, managed, monitored, and reported according to clearly defined standards.

Our Sustainability Policy including TWF's ESG principles and the material topics will be published in our website. Additionally, by the end of this year TWF will publish an Integrated Report of 2021 comprising both its financial and ESG related performance.

Principle 24

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

TWF conducts an annual review of the implementation of the Generally Accepted Principles and Practices (GAPP).