

## Delegation of the Management Authority of the Board of Directors

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### Introduction

Joint Stock Company (“JSC”) is a stock corporation whose capital is definite and divided into shares. JSCs’ liability for their debts is limited with their assets. In principle, the management and representation authority of the JSCs is vested in Board of Directors (“BoD”), in pursuance of Article 365 of the Turkish Commercial Code (Law No. 6102, “TCC”). In other words, the BoD is the authorized executive body for the management and representation of the company. However, under certain circumstances, it cannot not be expected from members of the BoD to give their entire time to administrative work. Therefore, the management authority shall be divided and delegated to some members of the BoD or third persons as per Article 367 of TCC. In the absence of a specific regulation concerning delegation of management, the company shall be managed by all board members.

### Delegation of the Management Authority

The BoD can partially or wholly delegate its management authority to one or several board members or to a third party, by an internal directive to be prepared by the BoD based on a provision found in the articles of association (“AoA”). According to Article 367 of TCC, the requirements for the delegation of powers are as follows:

1. There must be a provision in the AoA concerning the permission to delegate the authority of management, partially

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or as a whole, to one or more board members or to a third party,

2. An internal directive which organizes the management of the company must be issued, which shall define the duties required for management, specify delegated positions, and broadly indicate who is subordinated to whom and who is obliged to provide information.
3. The internal directive in question shall be approved with a resolution by the BoD.

The delegation of management authority not only covers the execution of the BoD's resolutions, but also includes taking resolutions.

### **Non- Assignable Duties and Authorities**

The BoD shall be authorized to delegate management authorities as a whole. Nevertheless, the meaning of wholly delegation of management authorities does not refer to the delegation of non-assignable duties and authorities which is indicated in Article 375 of TCC. The duties and authorities, which are non-assignable and indispensable and fall within Article 375 of TCC are powers such as upper-level management, determination of management organization, and other duties and authorities that have to be exercised exclusively by the BoD.

### **Liability**

As mentioned above, in principle, the management authorities and duties are entrusted to all members of the BoD, and they are liable for all the results of their actions. However, in case the delegation of management authority to one or several board members or to a third party; the BoD shall not be held liable for the delegates' actions and decisions if the selection of such delegates exercised with the reasonable diligence. In other words, the BoD could not be held responsible by asserting that they failed to perform the surveillance obligation.

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