



Corporate Governance Compliance Rating Report



İskenderun Demir ve Çelik A.Ş.

25 August 2021

Validity Period 25.08.2021-25.08.2022

LIMITATIONS

This Corporate Governance Compliance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for İskenderun Demir ve Çelik Anonim Şirketi is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website (www.kobirate.com.tr).

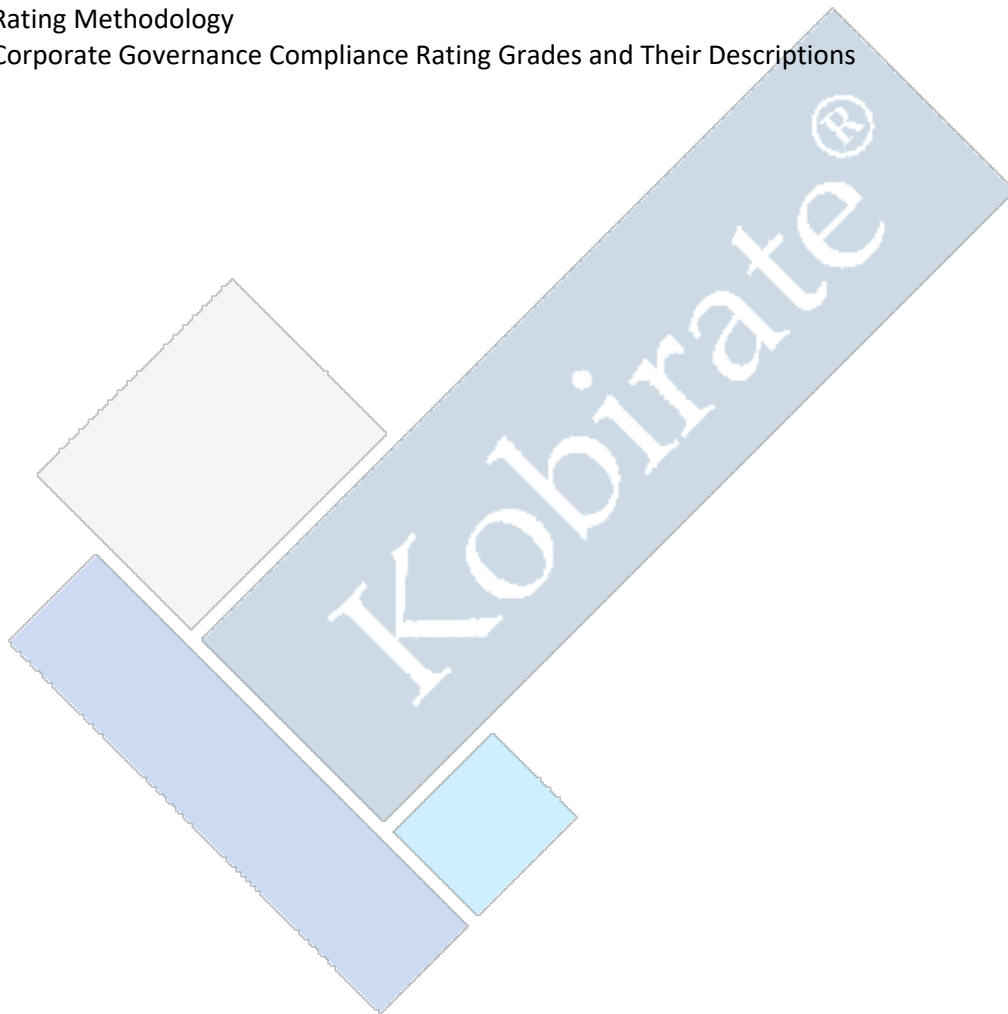
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed according to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose any kind of borrowing instrument. KOBIRATE A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

© All rights in this report belong to Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. This report cannot be printed in writing and electronically, reproduced and distributed without our permission.

TABLE OF CONTENTS

1.	Second Period Revised Rating Result	3
2.	Company Profile and Changes Within Last Year	9
3.	Rating Methodology	16
4.	Corporate Governance Compliance Rating Grades and Their Descriptions	18





İSKENDERUN DEMİR VE
ÇELİK A.Ş. (İSDEMİR)

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

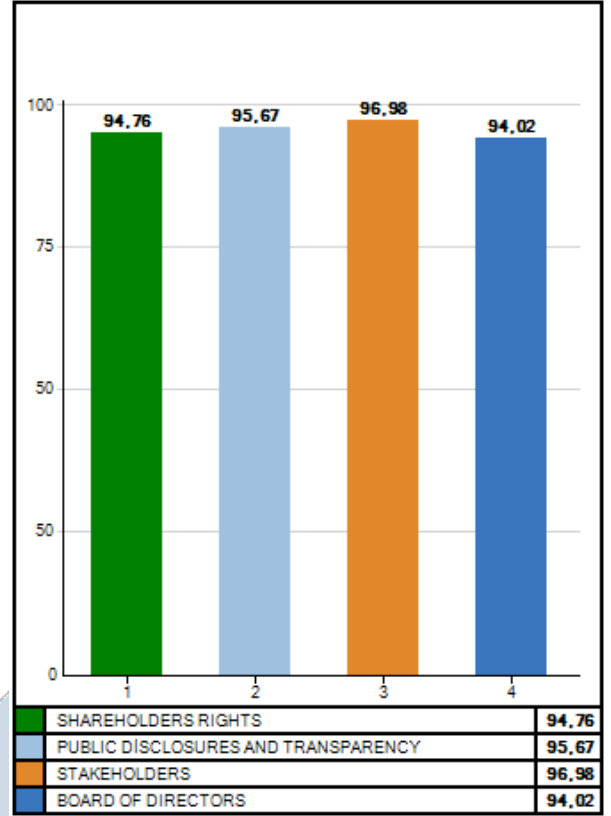
BIST FIRST GROUP

9.51

Kobirate Uluslararası Kredi Derecelendirme ve
Kurumsal Yönetim Hizmetleri A.Ş

Contact:

Serap Çembertaş (216) 3305620 Pbx
serapcembertas@kobirate.com.tr
www.kobirate.com.tr



1. SECOND PERIOD REVISED RATING RESULT

The process of rating of compliance of İskenderun Demir ve Çelik A.Ş (İSDEMİR) with the Corporate Governance Principles has been concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents, interviews held with executives and persons involved, examination of information disclosed to public and of other comprehensive reviews and observation. The methodology and the rating process are based on Capital Markets Board's (CMB) Corporate Governance Principles Communiqué no II-17.1 published by the Official Gazette edition 28871 on 03.01.2014.

According to CMB decision dated 21.01.2021, No. 4/97, İSDEMİR is on the list of BIST 1st Group Companies. At the end of examination of 408 criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, as specified in the CMB's Corporate Governance Principles, and according to the methodology of Kobirate A.S. for "BIST First Group Companies", the Corporate Governance Compliance Rating Grade of Erdemir has been revised as **9.51**.

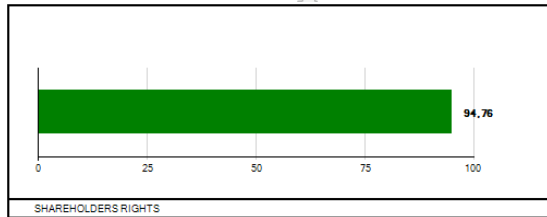
This result shows that the company has achieved compliance with CMB's Corporate Governance Principles to a great extent. Possible risks for the company have been determined and they can be controlled. Public

disclosure activities and transparency are at the highest level. Rights of shareholders and stakeholders are being treated fairly. The structure and working conditions of board of directors are generally compliant with corporate governance principles.

İsdemir's activities within last year show that compliance with corporate governance principles have been improving. It has also been learned that the struggle against global COVID-19 pandemic continued in line with procedures determined by the public authority.

As a result, this grade shows that the Company highly deserves to be included in the BIST Corporate Governance Index.

▪ At the section of Shareholders, İsdemir's grade has been confirmed as **94.76**.



It has been observed that during the rating period the Company continued its activities to give information to shareholders and let them use basic rights of shareholders with the same sensitivity and effectiveness. Harmonious relationship between Investor Relations Department and Corporate Governance Committee has been effective in execution of

Relations with shareholders are conducted through ERDEMİR Investor Relations Department, which reports to Financial Management and Financial Affairs Group Vice President Mustafa Serdar BAŞOĞLU. Investor Relations Management was established on 07.12.2018 in İSDEMİR. Therefore, investor relations are conducted by Erdemir Investor Relations Manager İdil ÖNAY ERGİN and Investor Relations Assistant Manager Ali Seydi BÖLER.

In parallel to this organization the Manager of Investor Relations Department of Erdemir İdil ÖNAY ERGİN has been appointed as member of İSDEMİR's Corporate Governance Committee, in accordance with CMB's Corporate Governance Principles Communiqué no II-17.1. The appointment was disclosed through Material Event Disclosure dated 03.04.2019. İdil ÖNAY ERGİN has licenses for Capital Market Activities Level 3 and Corporate Governance Rating.

It has been determined that Investor Relations Department reports and makes a presentation about its operations to the Board of Directors regularly at least once a year. 2 (two) presentations were made. A presentation about operations of 2020's third quarter was made to the Board of Directors on 22.10.2020. A presentation about operations in 2020 was made to the Board of Directors on 11.02.2021.

There is no regulation or policy of cancelling or restricting shareholders' right to obtain and review information imposed by the Articles of Association and/or a decision by any corporate department. Company disclosures for shareholders and public are made in accordance with the "Disclosure Policy". The policy is published on Company's corporate website.

Ordinary general assembly meeting to discuss activities of 2020 took place on 16.03.2021. Its invitation was made on 17.02.2021 through Public Disclosure Platform, Central Registration Office e – general assembly system and Turkish Trade Registry Gazette dated 17.02.2021, No 10269. The invitation was made, 3 (three) weeks before the date of meeting as required by the principles.

General Assembly document includes detailed information on distribution of company shares, voting rights and privileged votes. It also contains much information that corporate governance principles require to be disclosed to shareholders and public.

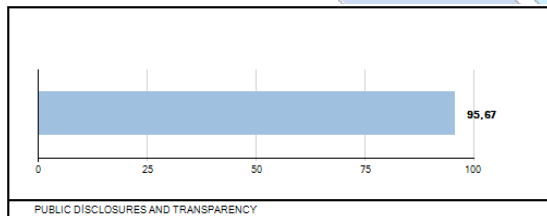
Executives and auditors who are authorized to brief participants on special subjects and

answer their questions have attended to the meeting. Attending top directors were Aslıhan DÖĞER (Deputy Chairman and Executive Director), Gürtan DAMAR (Board Member and Executive Director), Güliz KAYA (Board Member), Salih Cem ORAL (Erdemir General Manager), Mesut KEYFLİ (İSDEMİR General Manager), Mustafa Serdar BAŞOĞLU (Financial Management and Financial Affairs Group Vice President), Mehmet PEHLİVAN (Financial Affairs and Purchasing Deputy General Manager, Ulaş YİRMİBEŞ (Financial Control and Reporting Director), Kemal Haluk ERUYGUR (OYAK Legal Consultant), Buğra ELDELEKLİ (Legal Director), İdil ÖNAY ERGİN (Investor Relations Manager) and Osman ARSLAN (Independent Audit Company's Representative).

According to financial statements prepared in compliance with Tax Procedure Law the Company earned TRY 4,530,656,169 net period profit in 2020. According to consolidated financial statements prepared in accordance with CMB regulations, the Company made TRY 2,423,348,729 net period profit in the same period. The use of the profit is explained at "ii. Dividend Distribution" section of our report

Board's dividend distribution proposal and statement have been published on Public Disclosure Platform on the same day with invitation to the general assembly meeting.

▪ In the section of Public Disclosure and Transparency, Company's grade has been revised as **95.67**.



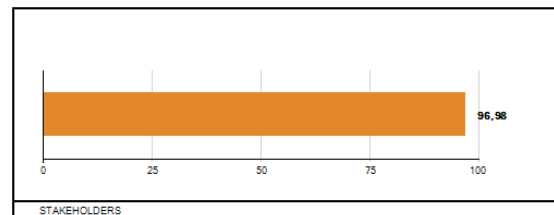
It has been determined that İsdemir's public disclosure and transparency activities are in line with legal regulations and corporate governance principles. The content of annual reports is satisfactory and includes sufficient

information about activities. Company's corporate website contains all the information and documents of last five (5) years that public, investors and authorities want to access. Corporate website is designed as easy – to – use and easy – to – access structure. It has been seen that the corporate website and annual reports are used efficiently for public disclosures.

Responsible and authorized signatures for company's public statements are Mustafa Serdar BAŞOĞLU (Financial Management and Financial Affairs Group Vice President), Ulaş YİRMİBEŞ (Financial Control and Reporting Director) and Emircan DİLBER (Taxation and Regulation Director. These individuals are assigned to manage and monitor all issues concerning public disclosures.

2020 independent audit has been conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (Member of Deloitte Touche Tohmatsu Limited). There were no situations in the report that the auditor avoided expressing opinion, expressed conditional opinion or withheld signature. Company officials have told us that no developments took place between the Company and independent audit company and its auditors that might damage independence and that there has been no legal conflict. With the suggestion of Audit Committee and approval of general assembly, the same company was elected to conduct 2021 audit within the framework of Capital Market regulations, Turkish Commercial Code and relevant regulations.

▪ In the section of Stakeholders, Company's grade has been confirmed as **96.98**.



It is understood that Erdemir Group continued to fight the global Covid-19 pandemic in 2021 until this report's date publishing in line with the procedures determined by public authority, as it did in 2020. Starting with the employees, trainees, visitors, suppliers, constructors and all other stakeholders were informed precautions taken against the pandemic and processes.

Compensation Policy for employees has been prepared and disclosed to public via corporate website.

Procedures on recruitment, remuneration, health, leave rights, promotion, appointments, discipline, dismissal, death, resignation and retirement have been determined. It is our impression that the company sticks to these policies in practice. Both during development and the implementation of the policies we have got the impression that the principle of equal opportunities for individuals under equal conditions has been respected.

Ethical Rules and Working Principles have been prepared and are updated whenever necessary. Anti-Corruption Policy has been prepared and disclosed to public through Company's corporate website. Ethical conflicts are handled by Oyak Maden Metalürji Ethical Board.

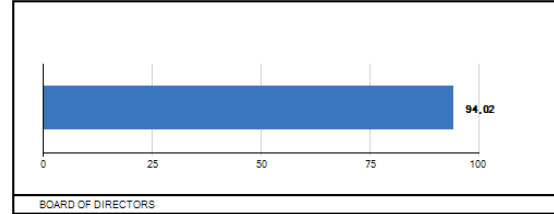
As of 31.12.2020, Isdemir employed 4,702 employees, 1,714 of them with monthly fees and 2,988 with hourly fees. Blue collar employees have been organized under the roof of Özçelik-İş Union. Agreement has been achieved in the negotiations between the Company and the union at 27th Period Labor Contract on 24.05.2021, which is valid for two years between 01.01.2021 and 31.12.2022.

Isdemir sees itself as part of whole including employees, shareholders, clients, partners and society and it aims to be a Company working the awareness of being a corporate citizen. As it has responsibilities for its stakeholders and common living areas, the Company disclosed its corporate social

responsibility activities and sustainability policies to the public.

The Company has been on the BIST Sustainability Index since 2019.

▪ In the section of Board of Directors Isdemir's grade has been revised as **94.02**.



Upon examination of Board of Directors Decision Book and interviews with Company officials, it has been determined that the Board continues its operations actively, efficiently and regularly. It is our impression that the Board has internalized Corporate Governance Principles, adapted an approach open to improvement and development and taken proactive attitude in terms of compliance with Principles.

Board of Directors has described corporate strategic objectives of the Company and determined required human and financial resources. Posts of Chairman of Board and General Manager are held by two different individuals and their powers are described. Board of Directors comprise 9 (nine) members, including 2 (two) executive and 7 (seven) non – executive members. 3 (three) of the non – executive members are independent members.

There are 2 (two) women members of the Board. However, the Company hasn't yet determined a targeted ratio, a policy and a deadline to achieve the target for a ratio of women in the Board, no less than 25 %.

Audit, Corporate Governance and Early Detection of Risk Committees, which are referred to by the principles are established. Separate Nomination Committee and Remuneration Committee have not been established because of Board's structure.

Duties of these committees are carried out by Corporate Governance Committee. Mandates, working rules and membership composition for all three committees have been determined, approved as written documents and disclosed to public on the corporate website. All members of three Committees are independent members of Board of Directors. Additionally, Manager of Investor Relations Department has been appointed as a member of Corporate Governance Committee in accordance with CMB Corporate Governance Communiqué number II.17-1. General Manager has not been assigned to any committees within this structure.

Independent Member of The Board, Yunus ARINCI, who has been working at this position since 31.03.2016 resigned from its duties in the Board and Committees as of 17.07.2020. He was replaced by Mahmut Cengiz AYDIN as of 05.02.2021 and this appointment was presented to the shareholders for approval at the general assembly meeting on 16.03.2021. Examination of this process and methods adapted to replace other independent members who completed their 1 (year) terms, reveals that;

- Nomination Committee has prepared an assessment report about candidate's independence and presented it to the Board,
- The Board has elected the independent member of Board within the scope of this report,
- The report has been sent to the General Assembly together with candidate's CV, independence statements and relevant Board decisions.

Therefore, it has been seen that the process was managed correctly.

The fact that the Corporate Governance Committee has played an active and efficient role in these processes and that Audit Committee has been strengthened in compliance with the structure described by the principles are main reasons for grade increase in this section.

Board of Directors convened 6 (six) times in 2020 and 3 (three) times as of June 2021. Board assistant Suzan MERT carries out secretarial duties.

Audit Committee convened 4 (four) times in 2020 and 2 (twice) by the end of June 2021. In the same period the Committee has made 4 (four) presentations about its activities to the Board of Directors in parallel to number of its meetings. Financial Control and Reporting Manager Ulaş YİRMİBEŞ carries out secretarial duties of the Committee.

Corporate Governance Committee convened 3 (three) times in 2020 and 1 (once) by the end of June 2021. In this period The Committee has prepared same number of reports - in parallel to the number of meetings - to the Board about its activities. Investor Relations Manager İdil ÖNAY ERGİN carries out secretarial duties of the Committee.

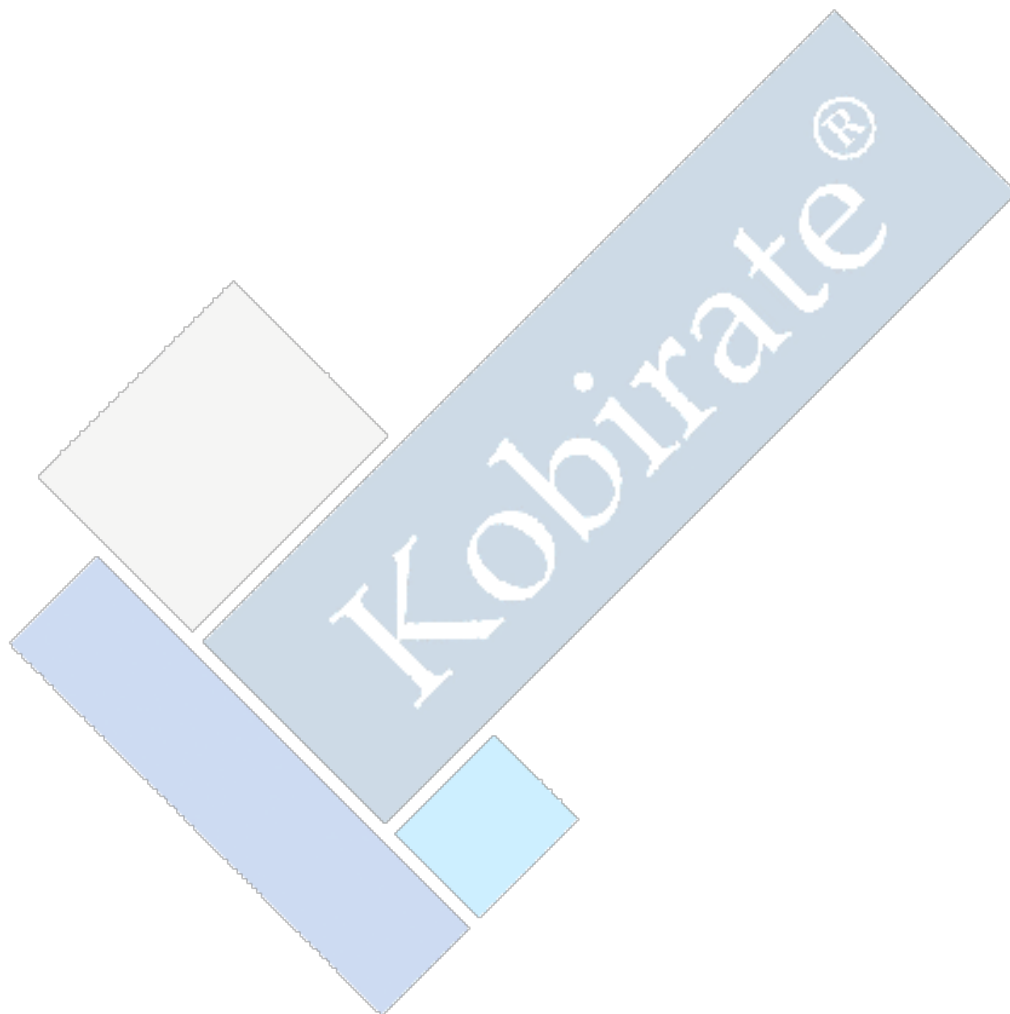
Early Detection of Risk Committee convened 6 (six) times in 2020 and made 2 (two) meetings by the end of June 2021. The Committee has prepared 6 (six) reports for the Board of Directors about its activities in 2020 and 2 (two) by the end of June 2021. Corporate Risk Management Manager Erdem PREKA carries out secretarial duties of the Committee.

Upon examination of documents and on the spot observations, it has been seen that the Board and the committees make regular records of meetings.

Guidelines on compensation of the Directors and top executives have been determined and disclosed to public on Company's corporate website.

Manager Liability Insurance against defects of Board Members duties has been made. As the value of policy did not exceed 25 % of Company's capital in 2020, no disclosure has been made to the Public Disclosure Platform.

There is no policy of performance assessment of Board as a whole and as individual members, as well as rewarding or sacking of members because of these assessments.



2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

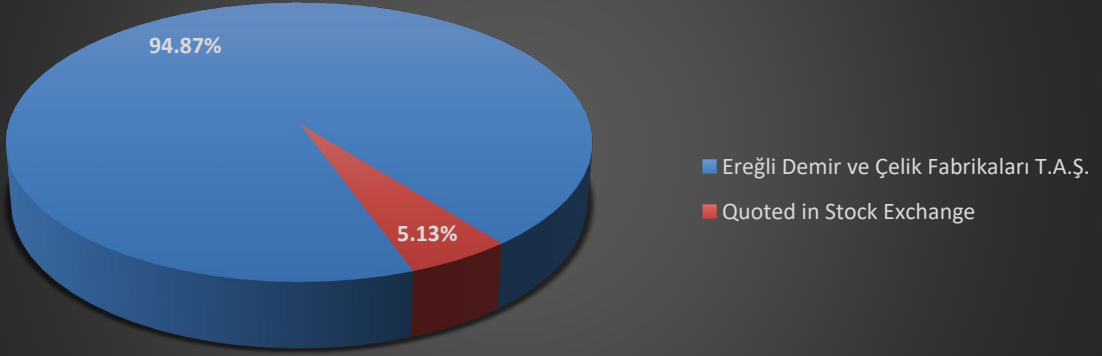
A. Company Profile:



Company Name	: İskenderun Demir ve Çelik Anonim Şirketi
Company Address	: Karşı Mahalle Şehit Yüzbaşı Ali Oğuz Bulvarı No: 1 Payas / HATAY
Company Phone	: (0326) 7584040
Company Facsimile	: (0326) 7583838
Company's Web Address	: www.isdemir.com.tr
E-Mail Address	: info@isdemir.com.tr
Date of Incorporation	: 12/11/1968
Registered Number	: 1599
Paid in Capital	: TRY 2,900,000,000
Line of Business	: Production of hot rolled sheet and long product mills (Billet and Coil).
Company's Sector	: Manufacturing Industry / Main Metal Industry
Company's Representative in Charge of Rating:	
İdil ÖNAY ERGİN	
Investor Relations Manager	
investorrelations@erdemir.com.tr	
(0216) 578 8061	

Shareholder Structure (as of the report date)

İskenderun Demir ve Çelik A.Ş. Shareholders



Source: www.kap.org.tr

Shareholder Name	Share (000 TL)	Share (%)
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	2,751,326	94.87
Quoted in Stock Exchange	148,674	5.13
Total	2,900,000	100.00

Source: www.kap.org.tr

Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
ATAER Holding A.Ş. (Representative: Süleyman Savaş ERDEM)	Chairman of Board	Non-Executive
ERDEMİR Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (Representative: Aslıhan DÖĞER)	Deputy Chairman of Board - Executive Member	Executive
ERDEMİR Madencilik Sanayi ve Ticaret A.Ş. (Representative: Gürtan DAMAR)	Member of Board - Executive Member	Executive
Ministry of Treasury and Finance Privatization Administration (Representative: Emre KÖKER)	Member of Board	Non-Executive
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Representative: Baran ÇELİK)	Member of Board	Non-Executive
ERDEMİR Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. (Representative: Güliz KAYA)	Member of Board	Non-Executive
Ali FİDAN	Independent Member of Board & Chairman of Early Detection of Risk Committee, Member of Audit Committee	Non-Executive
Kurtuluş Bedri VAROĞLU	Independent Member of Board & Chairman of Corporate Governance Committee, Member of Early Detection of Risk Committee	Non-Executive
Mahmut Cengiz AYDIN (*)	Independent Member of Board & Chairman of Audit Committee, Member of Corporate Governance Committee	Non-Executive

Committees of Board of Directors:

Corporate Governance Committee

Name/Surname	Title	Position
Kurtuluş Bedri VAROĞLU	Independent Member of Board	Committee Chairman
Mahmut Cengiz AYDIN (*)	Independent Member of Board	Committee Member
İdil ÖNAY ERGİN	Investor Relations Manager	Committee Member

Audit Committee

Name/Surname	Title	Position
Mahmut Cengiz AYDIN (*)	Independent Member of Board	Committee Chairman
Ali FİDAN	Independent Member of Board	Committee Member

Early Detection of Risk Committee

Name/Surname	Title	Position
Ali FİDAN	Independent Member of Board	Committee Chairman
Kurtuluş Bedri VAROĞLU	Independent Member of Board	Committee Member

(*) Resigned on 20.08.2021 and disclosed to public with a Material Event Disclosure on the same date.

Top Management

Name/Surname	Title
Mesut KEYFLİ	General Manager
Sabri KILIÇ	Deputy General Manager - Enterprises

Balance-Sheet Comparison of Company's Certain Selected Items for last two yearends

	2019/12 (000 TL)	2019/12 (000 USD)	2020/12 (000 TL)	2020/12 (000 USD)	Change % (TL)
Current Assets	9,778,890	1,646,222	12,948,824	1,764,025	32.42
Trade Receivables	1,062,852	178,925	1,281,204	174,539	20.54
Inventories	4,023,192	677,282	4,590,643	625,386	14.10
Non Current Assets	11,843,311	1,993,756	15,394,599	2,097,214	29.99
Total Assets	21,622,201	3,639,978	28,343,423	3,861,239	31.08
Current Liabilities	2,943,097	495,453	2,814,545	383,427	-4.37
Non Current Liabilities	2,487,377	418,736	3,548,061	483,354	42.64
Share Capital	2,900,000	1,474,105	2,900,000	1,474,105	-
Equity	16,191,727	2,725,789	21,980,817	2,994,458	35.75

Source: İsdemir Financial Statements and Independent Audit Report for 01.01.2020-31.12.2020 period.

Revenue Comparison of Company's Certain Selected Items for last two yearends

	2019/12 (000 TL)	2019/12 (000 USD)	2020/12 (000 TL)	2020/12 (000 USD)	Change % (TL)
Revenue	16,453,432	2,902,096	16,924,093	2,415,829	2.86
Cost of Sales	(13,602,013)	(2,399,156)	(13,716,418)	(1,957,950)	0.84
Operational Profit/Loss	2,605,034	459,482	3,063,693	437,326	17.61
Profit/Loss Before Tax	3,055,819	531,862	3,666,715	515,302	19.99
Period Profit/Loss	2,155,428	380,180	2,423,349	345,921	12.43

Source: İsdemir Financial Statements and Independent Audit Report for 01.01.2020-31.12.2020 period.

Bottom and Peak Closing Values of Company's Shares Traded on the BIST in Last One Year 16.08.2020-16.08.2021

Bottom (TL)	Peak (TL)
6.69 - (02.09.2020)	13.98 - (10.05.2021)

Source: İskenderun Demir ve Çelik A.Ş.

The Market where the Capital Market Instrument is Quoted and Indexes that the Company is Included

STAR MARKET

BIST METAL MAINA / BIST STAR / BIST INDUSTRIAL / BIST CORPORATE GOVERNANCE / BIST SUSTAINABILITY / BIST DIVIDEND / BIST DIVIDEND 25 / BIST ALL-100

Source: www.kap.org.tr

B. Changes within Last Year:

i. Changes in Capital and Articles of Association:

There have been no changes in Company's capital and Articles of Association during the period of rating.

ii. Dividend Distribution:

Company's Board of Directors took the following decision about the distribution of 2020 net period profit at its meeting dated 11.02.2021, No 632 and decided to present it to the General Assembly meeting in March 2021 for shareholders' approval:

"As a result of activities in 2020, our Company earned TRY 4,530,656,169 net period profit, according to financial statements prepared in compliance with Tax Procedure Law, and TRY 2,423,348,729 net period profit, according to financial statements prepared in compliance with articles of CMB Communiqué No 11.14.1.;

➤ In line with Article 519 of the Turkish Commercial Code and provisions of Capital Markets Board, as 20 % limit of paid in capital has been reached, 5% of net profit of the year - which was on financial statements of 2020, prepared in accordance with provisions of the Tax Procedure Law - will be allocated as general legal reserve fund,

➤ TRY 2,216,226,117 (91.45%) from net profit figure on 2020 financial statements - prepared in accordance with CMB regulations - will be allocated as cash dividend for shareholders,

➤ Since the allocated cash dividend is more than 5 % of the company's paid in capital, 10 % of excess amount, which is TRY 207,122,612 will be allocated as general legal reserve in accordance with the second paragraph, clause (c) of Article 519 of Turkish Commercial Code,

➤ After deduction of TRY 149,577,388 as secondary reserve from other distributable resources, which amount to TRY 1,645,351,271 (TRY 1,595,727,770 extraordinary reserves + TRY 49,623,501 from previous years' profits), remaining amount of TRY 1,495,773,883 will be distributed as additional cash dividend,

➤ A total of TRY 3,712,000,000 (additional TRY 2,216,226,117 from first dividend and TRY 1,495,773,883 from second dividend from other resources) dividend will be distributed to the shareholders,

➤ Dividend distribution will be made in March 2021 in one go.

Dividend distribution decision of the Board of Directors was discussed at the Ordinary General Assembly meeting on 16.03.2021 as the 8th item of the agenda and approved.

iii. Policies:

No changes have taken place in Company policies (Disclosure Policy, Dividend Policy, Remuneration Policy, Compensation Policy, Human Resources Policy, Donations and Aid Policy, Oyak Maden Metalürji Ethical Rules and Working Principles and Oyak Maden Metalürji Anti – Corruption Policy) during the period of rating. These policies have been disclosed to public through Company’s corporate website.

iv. Management and Organization:

Following changes took place in top management during the rating period:

- At the Ordinary General Assembly meeting on 16.03.2021, Ali FİDAN, Kurtuluş Bedri VAROĞLU and Mahmut Cengiz AYDIN were elected as Independent Board Members for one year.

- As real person representative, Deputy Chairman and Executive Board Member Toker ÖZCAN’s term has expired, the Board made the decision dated 23.02.2021, No 635 to appoint Gürtan DAMAR in his stead, to register him in trade registry and to publish announcement on Turkish Trade Registry Gazette.

- With Board decision dated 16.03.2021, No 641 following distribution of duties were made for one year:

- Board Member ATAER Holding A.Ş. (Represented by: Süleyman Savaş ERDEM) is selected as Chairman of Board,

- Board Member ERDEMİR Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (Represented by: Aslıhan DÖĞER) is selected as Deputy Chairman of Board,

- Deputy Chairman of Board ERDEMİR Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (Represented by: Aslıhan DÖĞER) and Board Member ERDEMİR Madencilik Sanayi ve Ticaret A.Ş. (Represented by: Gürtan DAMAR) are authorized as “Executive Board Member” and this authorization is registered and announced on Turkish Trade Registry Gazette.

- According to Company’s Material Event Disclosure dated 05.04.2021:

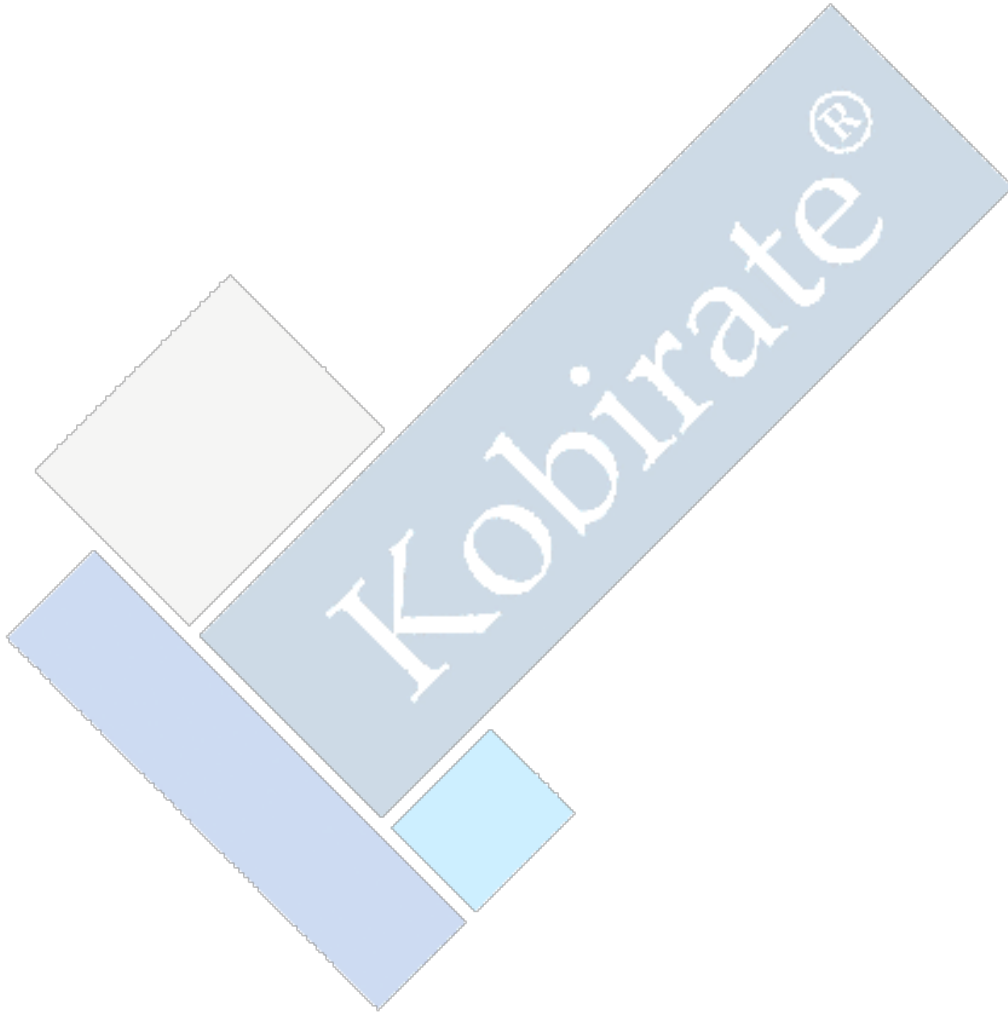
“According to the decision of our Company's Board of Directors; it has been decided that Emre KÖKER will be registered and announced on the trade registry as a representative of T.C. Hazine ve Maliye Bakanlığı Özelleştirme İdaresi Başkanlığı according to the letter of our Company's legal entity Board Member T.C. Hazine ve Maliye Bakanlığı Özelleştirme İdaresi Başkanlığı, dated 01 April 2021 and numbered 77996743.202.01-5888.”

- According to Company's Material Event Disclosure dated 20.08.2021:

"Our Independent Board Member Mahmut Cengiz AYDIN, who has been working at this position since 05.02.2021 resigned from his position as Independent Board Member and his committee memberships as of 20.08.2021. Work has started to find a candidate for Independent Board Membership in accordance with CMB's Corporate Governance Communiqué and developments will be disclosed to public."

v. Changes in Group Companies, Affiliated Companies and Subsidiaries:

There have been no changes during the rating period.



3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers. Since then, these principles have been regarded as international references for decision – makers, investors, shareholders, companies and other stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide,

titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In a rating process, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is taken into consideration.

In order to measure compliance of companies to corporate government principles, **408** criteria are used in the rating process of BIST First Group companies.

These criteria are translated into "Corporate Governance Rating Question Sets" through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's

memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles

while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

**4. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS**

GRADE	DEFINITIONS
<p style="text-align: center;">9–10</p>	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
<p style="text-align: center;">7–8,9</p>	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
<p style="text-align: center;">6–6,9</p>	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>

