



## ***Corporate Governance Compliance Rating Report***

**BATIÇİM**

***BATIÇİM Batı Anadolu Çimento Sanayii A.Ş.***

29 July 2022

Validity Period 29.07.2022-29.07.2023

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Kurumsal Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Batıçim Batı Anadolu Çimento Sanayii A.Ş. is compiled;

It has been prepared by considering Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published in the Official Gazette No. 31262 on 02 October 2020 by the Board, as well as regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105 in addition to the criteria specified in the "Corporate Governance Communiqué No. II-17.1" of the Capital Markets Board published in the Official Gazette dated 03 January 2014 and numbered 28871

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, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Kurumsal Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 106 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 Kurumsal 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](http://www.kobirate.com.tr)).

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

The rating grade does not constitute a recommendation to purchase, to hold or to dispose of 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.

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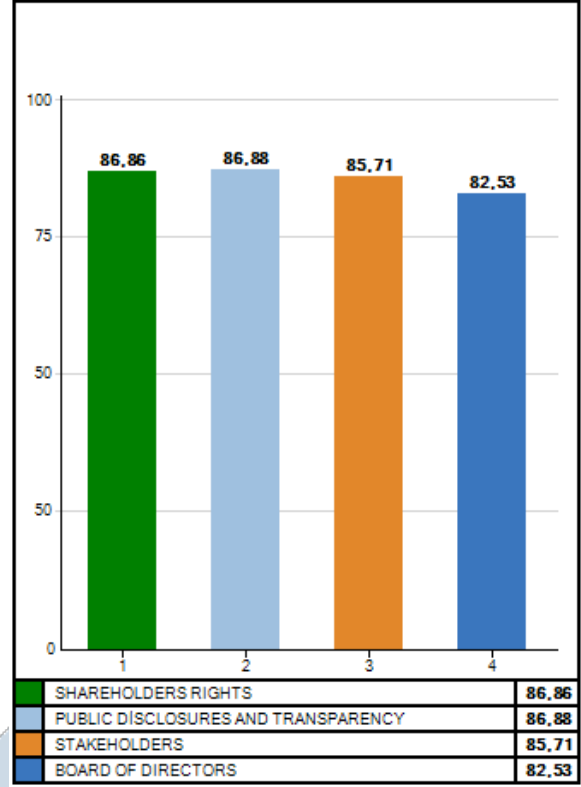
**BATIÇİM BATI ANADOLU  
ÇİMENTO SANAYİİ A.Ş.**

**CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE**

**8.52**

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### RATING SUMMARY

This report of rating of compliance of Batıçım Batı Anadolu Çimento Sanayii A.Ş with the Corporate Governance Principles is concluded through onsite examinations of the documents and information open to public, interviews held with executives and persons involved, and of other examinations and observations. The study has been held in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş.

In the methodology and rating process, in addition to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, the Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published by the Board has been

considered in addition to the regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105.

According to the decision of the Board decision body dated 13.01.2022 and numbered 2/27, Batıçım is included in the BIST 2nd Group Companies list. The Company has been evaluated through examination of 448 criteria described in Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology of "BIST 2nd Group Companies".

At the end of examination of criteria under the main headings of Shareholders, Public

Disclosure and Transparency, the Stakeholders and the Board of Directors, Corporate Governance Compliance Rating Grade of Batıçim Batı Anadolu Çimento Sanayii A.Ş has been determined as **8.52**. This result signifies that Batıçim has achieved a level of compliance with CMB's Corporate Governance Principles and deserves to be on the BİST corporate governance index.

Possible risks for the Company are determined to a significant extent. Rights of shareholders and stakeholders are treated fairly. Public disclosure and transparency activities are conducted at a good level. The structure and working conditions of board of directors are compliant with corporate governance principles. However, some improvements are expected to be made within the framework of corporate governance principles.

In view of rating process under main headings in brief;

It has been seen that the Company has obtained the grade of **86.86** in the Shareholders Section. Existence of Investor Relations Department to conduct healthy relationship with shareholders, duly convention of general assemblies, preparation of dividend policy and having no restrictions on transfer of shares are among positive policies.

Batıçim has achieved the grade of **86.88** for the section of Public Disclosure and Transparency. It has prepared disclosure policy and revealed it to public. Its corporate website has been designed to allow investors easy access to information they require and described by Principles.

The annual report's content is sufficient, and information is given in a graphic and easy – to – understand format. It has been determined that the Company is in compliance with the principles in the field of public disclosure and transparency.

The Company has obtained **85.71** in the section of Stakeholders.

The Company has achieved significant compliance with CMB's Corporate Governance Principles in this section. Human resources policy has been prepared. Issues concerning employees, such as recruitment, job descriptions, performance evaluation, promotion, rewarding, leaves and social rights have been regulated and disclosed to the employees.

Work processes and standards have been established and it has been observed that customers and suppliers are informed about these processes.

Methods to procure products and services from outside have been determined and put into written documents.

Ethical Rules are set forth and introduced to employees to act pursuant to such rules. Annual report gives information about social responsibility projects.

As for the Board of Directors Section, the Company's grade is **82.53**, representing good compliance with CMB's Corporate Governance Principles. However, some improvements are needed.

It has been confirmed that the Board of Directors has set Company's strategic goals, audits performance of company management and pays further attention for company affairs to be in compliance with the legislation, the Articles of Association and internal regulations.

The posts of Chairman of the Board of Directors and General Manager are held by separate individuals. There is no one in the Company with sole, unlimited authority to make decisions.

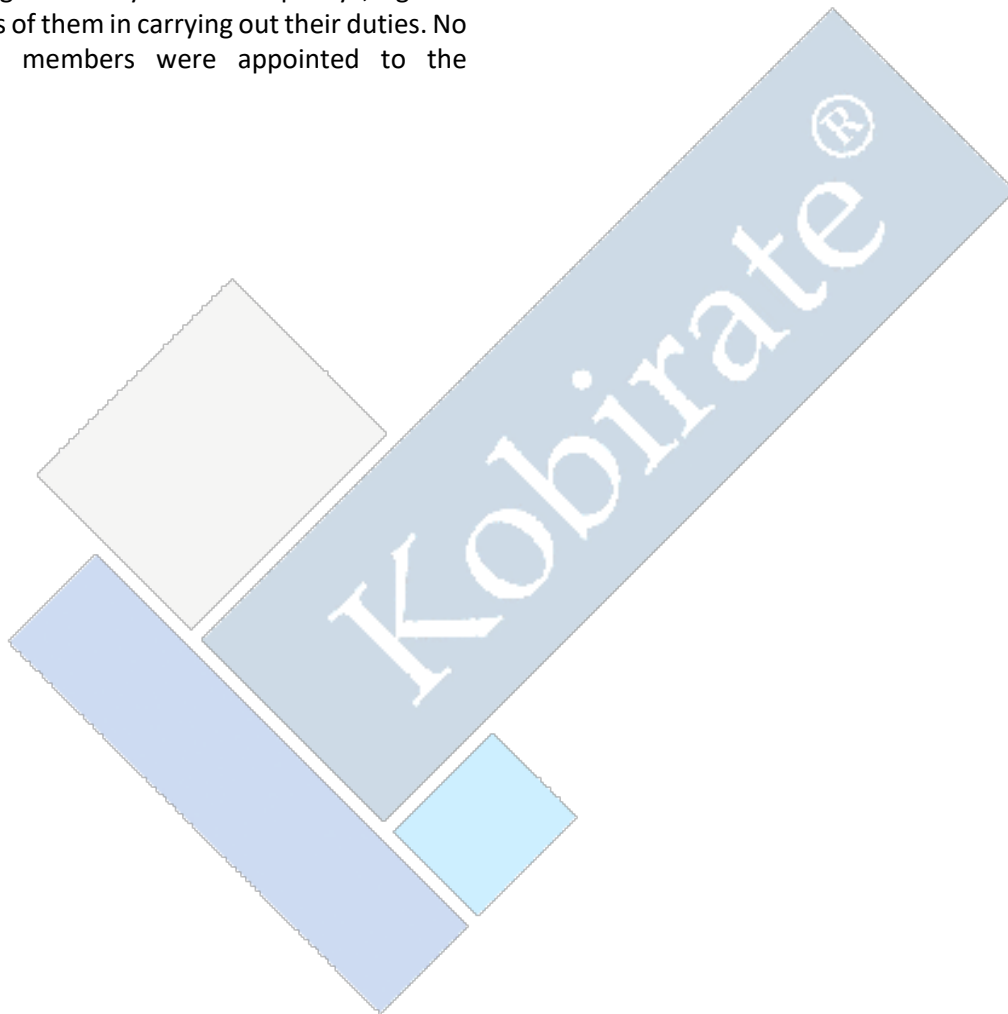
Board of Directors convenes regularly. Meeting procedures are written in Articles of Association and internal regulations.

The Audit, Corporate Governance and Early Detection of Risk Committees, referred to by the Principles, have been established, their

working principles have been prepared as written documents.

On the other hand, there are other positive practices in terms of compliance with the Corporate Governance Principles, such as having a majority of non – executive members and having determined remuneration principles for top managers and disclosed them at the corporate website. There are two independent members on the board.

Board Members have not been included in “Manager Liability Insurance policy”, against defects of them in carrying out their duties. No female members were appointed to the Board.



## 2. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether 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 and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and 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. The Corporate Governance Principles, first announced by the OECD in 1999, were updated for the first time in 2004 and took their final form in Istanbul on April 10, 2015, during Turkey's G20 Presidency.

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, 2014 and 2020 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 CMB has decided to create a new corporate governance reporting framework, and the new framework has been shared with the public with the Capital Markets Board Bulletin dated 10.01.2019 and numbered 2019/2 and the announcement dated 11.01.2019. Within the scope of the new reporting framework, it has been decided that the explanations will be made in the following order. Disclosure of the Compliance Report Format ("CRF") to report compliance with voluntary principles, and disclosure of the Corporate Governance Information Form ("CGIF") to provide information on current corporate governance practices. In accordance with the Turkish Commercial Code and the CMB's Corporate Governance Communiqué (II-17.1), CRF and CGIF must be announced on the Public Disclosure Platform at least three weeks before the date of the general assembly meeting, on the same date as the annual activity reports, and before the due date of the announcement period of the annual financial reports on the Public Disclosure Platform.

The Communiqué on Amending the "Corporate Governance Communiqué (II-17,1)" published in the Official Gazette numbered 31262 on October 2, 2020, by the Capital Markets Board (II-17,1.a) and regulations regarding the

voluntary sustainability principles compliance framework were included.

The compliance framework has been published on the Capital Markets Board website. The Sustainability Compliance Framework is examined under the Headings A- General Principles B- Environmental Principles C- Social Principles D- Corporate Governance Principles.

The practice has been determined according to the "implement or disclose" principle. It is anticipated that the annual reports include whether the sustainability principles are applied or not, and if not, a reasoned explanation and an explanation of the effects that have occurred. In case of a significant change during the period, it is anticipated that the relevant change will be included in the interim annual reports.

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 revised on FEBRUARY 2022, has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

It has been prepared by considering Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published in the Official Gazette No. 31262 on 02 October 2020 by the Board, as well as regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105 in addition to the criteria specified in the "Corporate Governance Communiqué No. II-17.1" of the Capital Markets Board published in the Official Gazette dated 03 January 2014 and numbered 28871.

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

448 criteria are used in the rating process for BIST 2nd Group Companies in order to evaluate the compliance of firms with corporate governance principles. These criteria are translated into "Corporate Governance Rating Question Sets" through Kobirate A.Ş.'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 applied completely by Kobirate A.Ş. The weightings are 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 FEBRUARY 2022 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 is restricted to 85 % of the full points.

A rating is made with a system that completes the section grades up to 100 by the company's compliance and implementation of the corporate governance practices, which include the good implementation and internalization of the criteria determined in the corporate



governance principles, and the different good corporate governance practice criteria determined by our company.

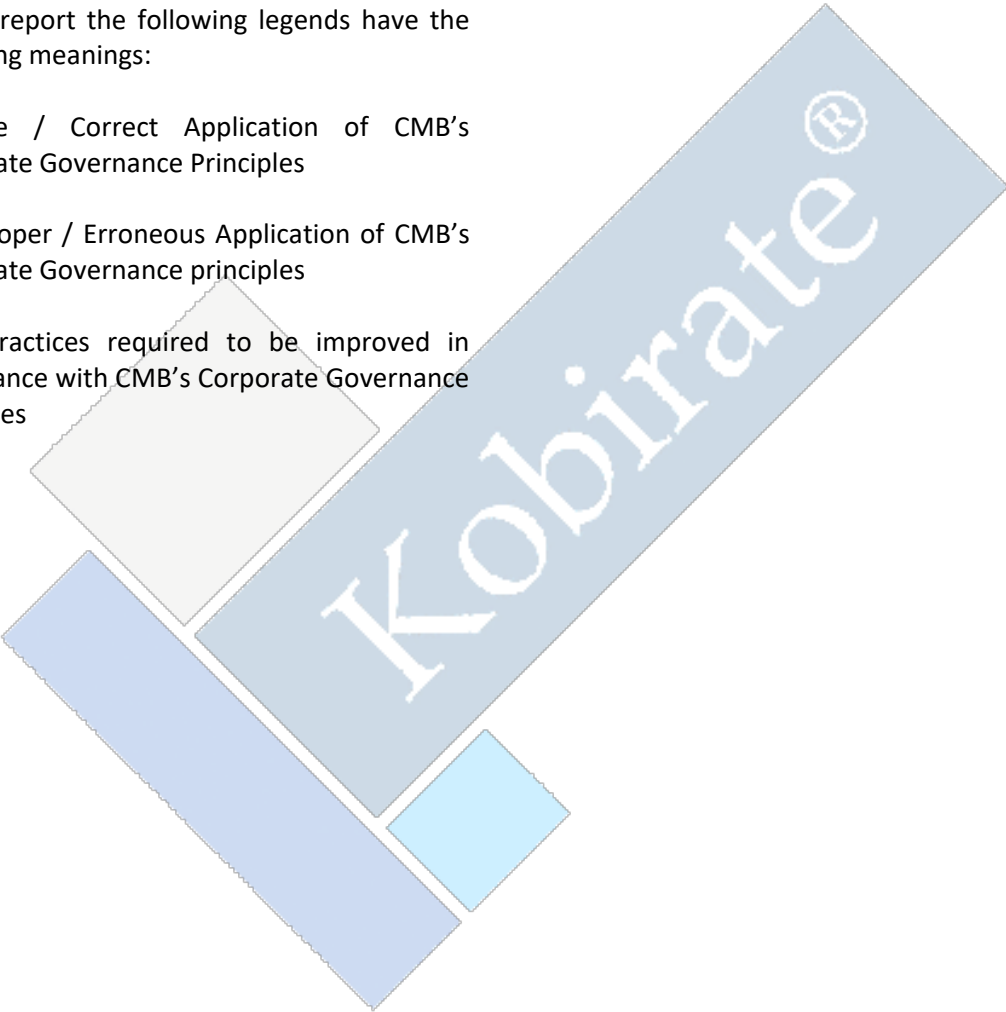
The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, “10” points mean excellent, full compliance with CMB’s Corporate Governance Principles while grade “0” means that there is no compliance with CMB’s Corporate Governance Principles, in any sense, in the existing weak structure.

In this report the following legends have the following meanings:

✓ Due / Correct Application of CMB’s Corporate Governance Principles

✗ Improper / Erroneous Application of CMB’s Corporate Governance principles

✓/✗ Practices required to be improved in compliance with CMB’s Corporate Governance Principles



### 3. COMPANY PROFILE



<b>Company Name</b>	: Batıçım Batı Anadolu Çimento Sanayii Anonim Şirketi
<b>Company Address</b>	: Ankara Caddesi No: 335 35050 Bornova/ İZMİR
<b>Company Phone</b>	: (0232) 4784400
<b>Company Fax Number</b>	: (0232) 4784444
<b>Company's Web Address</b>	: <a href="http://www.baticim.com.tr">www.baticim.com.tr</a>
<b>Date of Incorporation</b>	: 05/09/1966
<b>Registered Number</b>	: 29465-282
<b>Paid-in Capital</b>	: 180.000.000 TL
<b>Line of Business</b>	: Production and Sales of Clinker, cement and aggregate.
<b>Company's Sector</b>	: Stone and earth-based production industry

**Company's Representative in Charge of Rating:**

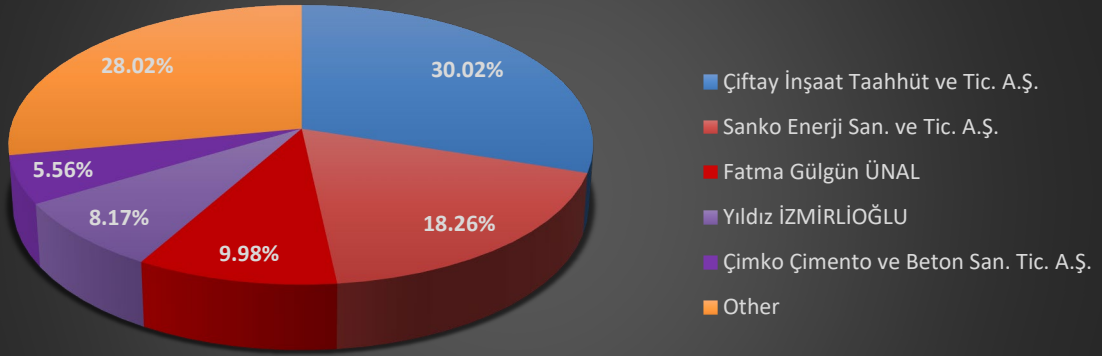
Yeşim Devrim YALÇIN

Investor Relations Department Manager

[yesimyalcin@baticim.com.tr](mailto:yesimyalcin@baticim.com.tr)

0232 478 44 00

### Shareholder Structure (as of date of this report)



Source: www.kap.org.tr

Shareholder Name	Share (TL)	%
Çiftay İnşaat Taahhüt ve Tic. A.Ş.	54.044.451,72	30.02
Sanko Enerji San. ve Tic. A.Ş.	32.865.000,00	18.26
Fatma Gülgün ÜNAL	17.949.951,00	9.98
Yıldız İZMİROĞLU	14.708.849,50	8.17
Çimko Çimento ve Beton San. Tic. A.Ş.	10.001.087,03	5.56
Other	50.430.661,00	28.02
<b>Total</b>	<b>180.000.000,00</b>	<b>100.00</b>

Source: www.kap.org.tr

## ***Transfer of Company Shares***

***It is stated in summary in the Company's Material Disclosure dated 02.04.2021.***

"Company shareholders Mehmet Mustafa B key, Ateş Necdet B key and Volkan B key, Fatma Meltem G nel and Mutlu Can G nel, Kemal Grebene and S l n İlkin, Belgin Egeli, Mehmet B lent Egeli, Beg m Egeli Bursalıgil and Yıldız Egeli Yavuz stated that they had signed separate share purchase and sale agreements on 02 April 2021 regarding the transfer of the A and B group shares they hold to  iftay İnşaat Taahh t ve Ticaret A.Ş

and that the transfer of shares would be conducted after the permissions is obtained from the relevant authorities and that the share transfer fees would be paid in US dollars on the closing day of the share transfer."

(Detailed information on the subject is included in the aforementioned material disclosure.)

***Company's Material Disclosure dated 14.07.2021;***

It is stated in summary in the Company's Material Disclosure with the subject "About Our Company's Shares" dated 02.04.2021 :

"As a result of the application made by  iftay İnşaat Taahh t ve Ticaret A.Ş to the Competition Authority on 17.04.2021 regarding the takeover of %30,0247 shares of our company's shareholders Mehmet Mustafa B key, Ateş Necdet B key, Volkan B key, Fatma Meltem G nel, Mutlu Can G nel, Kemal Grebene, Pheasant İlkin, Belgin Egeli, Mehmet B lent Egeli, Beg m Egeli Bursalıgil and Yıldız Egeli Yavuz, the permission by the Competition Authority has been published on the Competition Authority's website today."

(Decision of the Competition Authority dated 08.07.2021 No. 21-34/ 477-239.)

As a result of signing the contracts and obtaining the necessary permissions, the aforementioned persons transferred their shares on 17.08.2021 and the shareholding structure changed as above.

### Company's Subsidiaries (\*)

Company name	Company's Line of Business	Paid in/Issued Capital (TL)	Company's Share in Capital (TL)	Company's Share in Capital %
Batisöke Söke Çimento San. T.A.Ş.	Production and sale of clinker and cement	400.000.000	298.494.052,78	74.62
Batıçım Enerji Elektrik Üretim A.Ş.	Production and sale of electricity	120.000.000	83.975.000	69.98
ASH Plus Yapı Malzemeleri San. Tic. A.Ş.	Production and sale of ash	125,000	125,000	100.00
Batıbeton San. A.Ş.	Production and sale of ready mixed concrete	49.477.593,83	49.477.593,83	100.00
Batılıman Liman İşl. A.Ş.	Port Management	57.834.577,56	57.834.577,56	100.00

Source: www.kap.gov.tr

(\*) A total of 937 employees – 193 white – collar and 744 blue – collar) are employed by Batı Anadolu Group, including Batıçım, as of 31.12.2021. All blue – collar employees are unionized.

### Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
Sabit AYDIN	Chairman	EXECUTIVE
Gülant CANDAŞ	Deputy Chairman	EXECUTIVE
Erdoğan GÖĞEN	Member of Board of Directors	NON - EXECUTIVE
Yusuf KAYA	Member of Board of Directors	NON - EXECUTIVE
Ömer Çağdaş SELVİ	Member of Board of Directors	EXECUTIVE
Şükrü Serdar BAĞCIOĞLU	Independent Member of Board of Directors	NON - EXECUTIVE
Mustafa Teoman GÜRGAN	Independent Member of Board of Directors	NON - EXECUTIVE

### Changes Made to the Board of Directors During the Period

At the Board of Directors Meeting held on 17 August 2021, Mehmet Mustafa BÜKEY, Mehmet Bülent EGELİ, Fatma Meltem GÜNEL, Sülün İLKİN, Kemal GREBENE, Begüm Egeli BURSALIGİL and Necip TERZİBAŞIOĞLU resigned from their positions. Pursuant to Article 7 of the company's articles of association and Article 363 of the Turkish Commercial Code, it has been decided to appoint Sabit AYDIN, Gülant CANDAŞ, Ali KIŞLA, Yusuf KAYA, Mehmet Gökalg ÖZKÖK, Erdoğan GÖĞEN and Ömer Çağdaş SELVİ to the vacant board memberships, effective as of 17 August 2021, and to submit these amendments to the approval of the shareholders at the first general assembly to be held. The Ordinary General Assembly Meeting held on October 26, 2021, was postponed to December 02, 2021, upon the request of the shareholders. With the Postponed Ordinary General Assembly Meeting held on 02 December 2021, Sabit AYDIN, Gülant CANDAŞ, Yusuf KAYA, Erdoğan GÖĞEN and Ömer Çağdaş SELVİ were elected as Board Members and Şükrü Serdar BAĞCIOĞLU and Mustafa Teoman GÜRGAN were elected as Independent Board Members.

(\*)Source: Annual report for the period 31.12.2020-31.12.2021. Page:9

**Committees Formed Within the Board of Directors**

<b>AUDIT COMMITTEE</b>	
Şükrü Serdar BAĞCIOĞLU	Independent Member of Board of Directors (Chairman)
Mustafa Teoman GÜRGAN	Independent Member of Board of Directors
<b>CORPORATE GOVERNANCE COMMITTEE</b>	
Şükrü Serdar BAĞCIOĞLU	Independent Member of Board of Directors (Chairman)
Erdoğan GÖĞEN	Member of the Board of Directors (Not Executive)
Yeşim Devrim YALÇIN	Investor Relations Department Manager
<b>EARLY DETECTION OF RISK COMMITTEE</b>	
Mustafa Teoman GÜRGAN	Independent Member of Board of Directors (Chairman)
Yusuf KAYA	Member of the Board of Directors (Not Executive)

Source: [www.kap.gov.tr](http://www.kap.gov.tr)

**Top Management of the Company**

<b>Name / Surname</b>	<b>Duty</b>
Akif GEÇER	Member of the Executive Committee and General Manager
Arif Alp DÜNDAR	Member of the Executive Board and CFO
Selçuk UÇAR	Member of the Executive Committee and Marketing Director
Mehmet İlker ÖZGELEN	Factory Director
Hayer YALNIZ	Raw Material Manager
Adil ULUDAĞ	Director of Financial Affairs and Accounting
Mustafa KAHVECİ	Purchasing Manager
Mehmet Gökhan GÜMÜŞ	Quality Control and Assurance Manager
Fatih USTA	Human Resources Manager
Erol İŞCAN	Maintenance Manager
Barış KOYLAN	Production Manager
Oral ENGİZEK	Risk Assessment and Monitoring Manager
Mehmet Kemal ASLAN	Information Systems Manager
Çağrı CANDOĞAN	Cement Marketing Manager
Efe DUMAN	Export Manager
Mustafa BAYRAKTAR	Health, Safety and Environment Manager
Murat Orçin ÖNOCAK	Finance Manager
Erhan BIÇER	Investment Manager

**Balance-Sheet comparison of Company's certain selected items of last two years (TL)**

	2020/12	2021/12	Change %
Current Assets	617.082.871	899.208.862	45.72
Fixed Assets	1.920.113.194	3.508.178.797	82.71
Total Assets	2.537.196.065	4.407.387.659	73.71
Short-Term Liabilities	1.168.996.888	2.252.094.706	92.65
Long-Term Liabilities	1.033.745.366	1.088.088.695	5.26
Shareholder's Equity	334.453.811	1.067.204.258	219.09

Source: Batıçim Batı Anadolu Çimento San. A.Ş. Independent Audit Report for the Period 01.01.2021-31.12.2021

**Profit / Loss Comparison of Some Items of Last Two Years (TL)**

	2020/12	2021/12	Change %
Revenue	1.160.528.594	1.933.796.415	66.63
Main Operational Profit / Loss	43.862.525	164.722.617	275.54
Operational Profit or Loss Before Tax	(416.598.016)	(749.588.468)	79.93
Period Profit / Loss	(415.324.427)	(779.142.900)	87.60

Source: Batıçim Batı Anadolu Çimento San. A.Ş. Independent Audit Report for the Period 01.01.2021-31.12.2021

**Peak and Bottom Closing Values of Company shares traded at BIST  
between 21.07.2018 and 22.07.2019**

<b>Bottom (TL)</b>	<b>Peak (TL)</b>
11,28.- (23.09.2021)	24,12.- (26.04.2022)

Source: Batıçim Batı Anadolu Çimento San. A.Ş.

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

YILDIZ PAZAR / BIST TM / BIST YILDIZ / BIST SINAİ / BIST İZMİR / BIST TM-100 / BIST KURUMSAL YNETİM / BIST TAŞ, TOPRAK

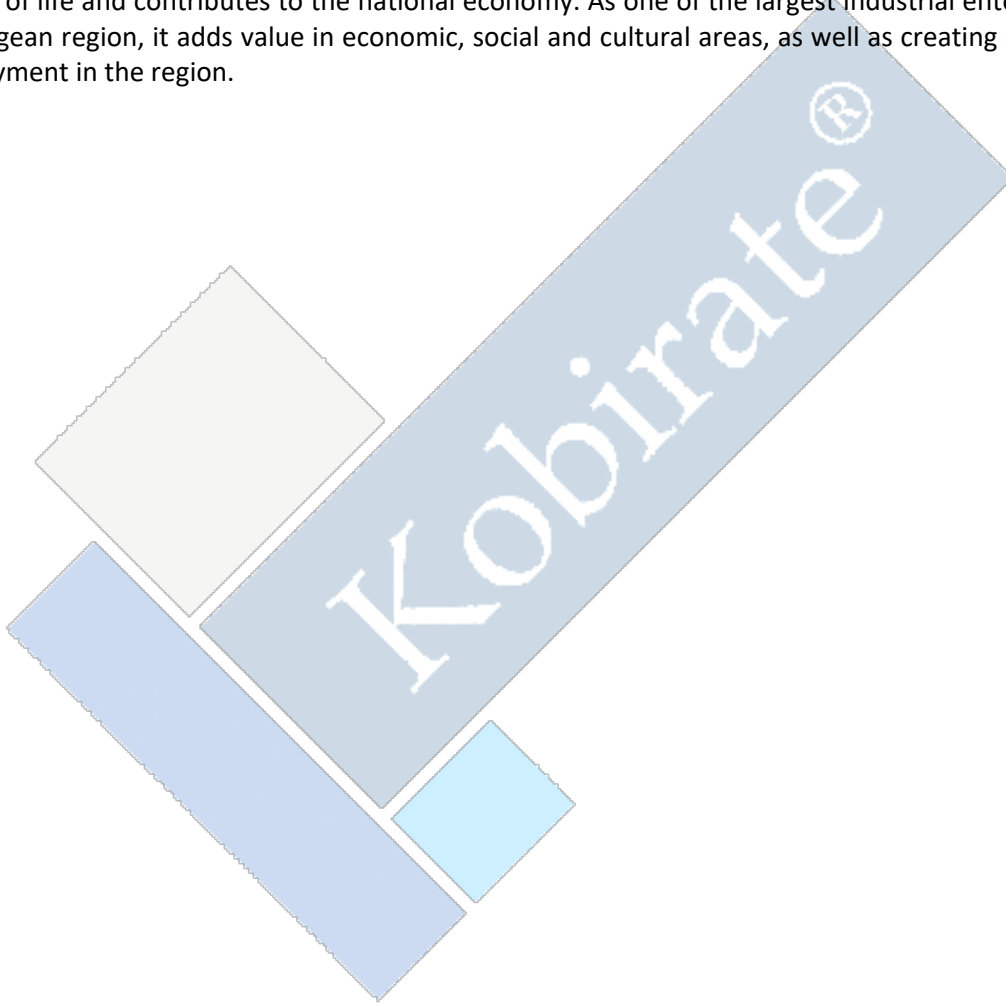
Source: www.kap.org.tr

### ***Information about Company Activities***

BATIÇİM Batı Anadolu Çimento Sanayii A.Ş. was established in 1966 with 100 % Turkish capital. It grew rapidly and became one of the strongest companies of Turkish Cement Industry.

In the process of more than half a century, the Company adopted "quality first" approach and met a significant part of Turkey's cement demand by providing superior and environment - friendly products to the construction industry with an impeccable service quality. It has also become a trusted and well – known brand in the international markets.

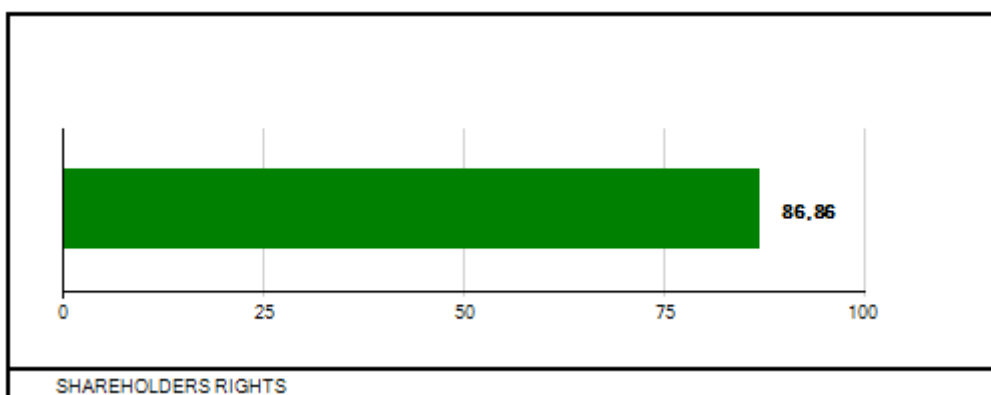
Today, with its world-class technology, used in clinker and cement production, BATIÇİM continues its march with confident steps in the sector with its professional staff, created with the philosophy of employing right human resource in the right job. By investing in the region, Batıçim increases society's quality of life and contributes to the national economy. As one of the largest industrial enterprises in the Aegean region, it adds value in economic, social and cultural areas, as well as creating significant employment in the region.





## 4. SECTIONS OF RATING PROCESS

### A. SHAREHOLDERS' RIGHTS



#### Overview

- ✓ Investor Relations Department has been established in order to conduct relations with Shareholders.
- ✓ Company's Donation and Aid policy has been prepared and disclosed to public.
- ✓ There are no arrangements making exercise of voting right difficult.
- ✓ Dividend distribution policy has been prepared, presented to the approval of the General Assembly and disclosed to public.
- ✓ There is no restriction on transfer of shares.
- ✓/\* Donation and Aid policy should be presented to the General Assembly for approval.
- ✓/\* It would be appropriate to hold general assembly meetings open to public.
- ✓/\* Minority rights must be extended to those shareholders with less than 1 / 20 of the capital.
- \* There are privileges in voting right and dividend distribution.

**Shareholders' Rights, Shareholders' Right to Obtain Information and to Examine, Shareholders' Right to Attend the General Assembly, Shareholders' Right to Vote, Rights of Minority Shareholders, Shareholders' Right for Dividend and Shareholders' Right to Transfer Their Shares** to whomever they want, whenever they want. The company's grade for this section is **86,86** points.

The company has lost grades in this main heading compared to the previous period. The general assembly, where the activities of 2020 were discussed, was held on 26.10.2021 and 02.12.2021. In addition to the issues that were critical in the previous period, the main reasons for the loss of grades are that information such as the CVs of the members of the board of directors, the roles they have undertaken outside the company by distinguishing in-group and out-of-group in these elected meetings are not included in the information document and that all questions asked during the general assembly meeting and the answers given to these questions are not disclosed to the public on the corporate website within 30 days after the date of the general assembly meeting.

In this section, as stated by CMB's Corporate Governance Principles, the company was evaluated on **111** different criteria, under the headings of **Facilitating the Exercise of**

**a. Facilitating the Exercise of Shareholders' Rights**

Investor Relations Department has been established within Financial Affairs Directorate and reports directly to Arif Alp Dündar, Member of Executive Board and CFO. Yeşim Devrim YALÇIN was Appointed as Investor Relations Department Manager on 10.07.2017 and it was disclosed to public through a Material Disclosure same day. Adil ULUDAĞ (Financial Affairs and Accounting Manager) is a Member of Investor Relations Department. Yeşim Devrim YALÇIN, who has licenses for Corporate Governance Rating, Capital Market Activities Level 3 was also appointed as a Member of Corporate Governance Committee and this appointment was disclosed through Public Disclosure Platform. Therefore, compliance with CMB Corporate Governance Communiqué No II.17-1 has been achieved. It has been found that the employees of the Investor Relations Department have adequate qualifications in terms of knowledge and experience required for the task, that they play an effective role in protection and facilitation of shareholders' rights, starting with the right to obtain and review information.

Job description of Investor Relations Department has been made and it includes the duties stated at the 11/5 item of CMB Corporate Governance Directive No II-17.1.

Investors Relations Department reports regularly to the Board of Directors and Corporate Governance Committee about its activities and performance of shares.

Any data that might affect the exercise of shareholders' rights are currently at disposal of shareholders on the corporate Internet website.

It has been determined that the Company has achieved rather good compliance with the Corporate Governance Principles in this subsection.

**b. Right to Obtain Information and to Examine**

The information required for the proper exercise of shareholders' rights are presented to the shareholders and to this end the company's website ([www.baticim.com.tr](http://www.baticim.com.tr)) is used efficiently.

The "Disclosure Policy", which was updated and approved by the Board of Directors is published on the corporate website. Shareholders' right to obtain information is explained in detail in the aforementioned policy.

All information concerning the company has been given on time, truthfully and completely. There have been no warnings or penalties on this issue given by Regulatory authorities.

It has been seen that inquiries of shareholders have been responded rapidly and care has been given to let shareholders exercise their right to obtain information and to examine. There were 109 oral and 42 written applications to the Company in 2021. It was learned that all of the oral questions and 10 of the 42 written applications were answered, and the remaining 32 applications were submitted to the information of the Top Management as they were within the scope of opinion and evaluation.

Shareholders' right to obtain information and to examine is not cancelled or restricted by the Articles of Association or any department of the Company.

There are no arrangements or policies that make it difficult for shareholders to demand appointment of special auditor from the general assembly.

It will be appropriate to submit the disclosure policy to the information of shareholders at the first general meeting to be held.

In this subsection, company practices are in accordance with the principles.

### **c. Right to Attend the General Assembly**

Due to the practices in the general assembly, Batıçim has adjusted a good compliance with many principles hereunder.

The General Assembly meeting to discuss operations of 2020 took place on 26.10.2021. The invitation to the meeting was duly made in the Turkish Trade Registry Gazette (TTRG) dated 04.10.2021 and numbered 10422, on the Public Disclosure Platform (PDP) and the Central Registry Agency e-general assembly system (EGAS) on 29.09.2021. The date, time, place, agenda and the sending department have been clearly described in the invitation. The invitation to the Special General Assembly meeting of the Shareholders of Group A was also made on the same date and by the same methods.

In the aforementioned meeting, when the discussion on the 3rd item of the agenda started, it was requested that the negotiations be postponed pursuant to article 420 of the TCC. The general assembly council decided to postpone the agenda items related to the balance sheet and profit and loss accounts together with Article 3, at least one month after the general assembly meeting. It was voted and accepted that the agenda items other than the balance sheet and profit and loss accounts should be discussed at the postponed meeting. This general assembly was not registered on the grounds that "There is no article to be registered among the resolutions of the general assembly" and was announced on the public disclosure platform on 28.10.2021. In the general assembly held on 26.10.2021, a lawsuit was filed on 08.11.2021 for the annulment of the resolutions regarding some agenda items, and it was rejected by the court on 19.01.2022.

The postponed general assembly meeting was held on 02.12.2021. The invitation to the meeting was made in the Turkish Trade Registry Gazette (TTRG) dated 10.11.2021 and numbered 10448, on the Public Disclosure Platform (PDP) and the Central Registry Agency e-general assembly system (EGAS) on

28.10.2021. An informative document containing additional explanations within the scope of CMB regulations has not been prepared for this meeting. The aforementioned general assembly was registered on 08.12.2021. Relating to this general assembly, a lawsuit was filed on 20.12.2021 with a request to decide on the announcement or cancellation of the decisions taken at the meeting, and the lawsuit process is ongoing.

The General Assembly meeting to discuss operations of 2021 took place on 19.04.2022. The invitation to the meeting was duly made in the Turkish Trade Registry Gazette (TTRG) dated 28.03.2022 and numbered 10546, on the Public Disclosure Platform (PDP) and the Central Registry Agency e-general assembly system (EGAS) on 24.03.2022. The date, time, place, agenda and the sending department have been clearly described in the invitation. The invitation to the Special General Assembly meeting of the Shareholders of Group A was also made on the same date and by the same methods. The aforementioned general assembly was registered on 05.05.2022.

It has been understood that the financial statements, annual report, audit reports, profit distribution proposal of the board of directors, notifications and explanations required by the partnership in accordance with the relevant legislation and Corporate Governance Principles, which should be made available for the examination of the shareholders within the framework of Article 437 of the TCC numbered 6102, were submitted to the information of the shareholders 3 weeks in advance.

In order to increase the participation of the shareholders, the general assembly meetings are held in a way that does not cause inequality among the shareholders and ensures the participation of the shareholders at the lowest possible cost.

Regarding this meeting, along with the general assembly meeting announcement, the information document prepared in

accordance with the Article 1.3.1 General Assembly of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 was published on the company's website. In this document, it has been determined that information on the total number of shares and voting rights reflecting the shareholding structure of the company as of the date of disclosure, whether there are privileged shares in the company's capital, and the nature and scope of the privileges are shared with the shareholders. Similarly, it has been seen that information about the changes that will significantly affect the management and activities of the partnership and its subsidiaries, and whether the shareholders have requests to add an item to the agenda, are also included. Since there was an article to increase the maximum registered capital from 400.000.000.-TL to 800.000.000.-TL in the aforementioned general assembly, the 6th article of the articles of association was also amended. The old and new forms of the articles of association are included in the information document.

During the preparation of the general assembly agenda, it was determined that the agenda headings were expressed clearly and in a way that would not lead to different interpretations, and care was taken not to include phrases such as "other" "various" in the agenda.

In the examinations made on the minutes of the general assembly and the list of attendees, it was understood that some of the members of the board of directors, the officials responsible for the preparation of the financial statements and the people related to the subject were present in order to make explanations on the special issues on the agenda. In addition, the representative of the company that conducted the independent audit of the company was also present at the meeting.

When the minutes of the General Assembly are examined, it is understood that the agenda items were voted separately, the votes were counted and announced to the shareholders

before the end of the meeting. It was observed that the chairman of the meeting took care to convey the topics on the agenda in an impartial and detailed manner, with a clear and understandable method, and the shareholders were given the opportunity to express their thoughts and ask questions under equal conditions.

It is understood from the explanations in the minutes of the general assembly and the interviews made with the relevant parties in the company that the chairman of the meeting ensures that every question asked by the shareholders at the general assembly meeting, which is not within the scope of trade secrets, is answered directly at the general assembly meeting.

In accordance with the provisions of the CMB's Communiqué numbered II-17.1, the general assembly was informed about the transactions made with related parties and the guarantees, pledges and mortgages given in favor of third parties.

The shareholders were informed about the donations made during the period and their beneficiaries, and the donation limit was also determined. The Donation and Aid Policy, approved by the Board of Directors and announced to the public, must be submitted to the approval of the shareholders at the first general assembly to be held.

In the interviews with the officials, it was stated that there are no obstacles in front of the participation of the stakeholders and the media without the right to speak in the general assembly meetings. However, including the information that the meeting is open to the public in the general assembly invitations and adding this issue in the articles of association will strengthen compliance with corporate governance principles.

It is concluded that the company complies with the principles regarding this subsection.

#### **d. Voting Right**

Neither the Articles of Association nor the internal procedures contain any difficulties to exercise the voting right and opportunity to exercise the voting right in the easiest and most convenient manner is given to each shareholder.

It is possible for the shareholders to exercise their voting right in person or by proxies, whether a shareholder or not, at the general assembly meetings. The members are submitted with the specimen proxies to be used for this purpose at firm's headquarters and on corporate internet website.

According to articles 6 and 19 of the company's articles of association; "The capital of the company is 180.000.000 TL, of which 179.752.000 TL consists of (B) Group shares and 48.000 TL of (A) Group shares. (A) group shareholders grant 15 (fifteen) voting rights to each (A) group shareholder and 1 (one) vote to each (B) group shareholder at the General Assembly meetings.

This practice avoids the "privilege about voting" included in the Corporate Governance Principles. It contradicts the principle of "In case of privileges regarding voting, it is essential to abolish the privileges that prevent the representation of the holders of publicly-held shares in the management".

The Company does not have a mutual subsidiary which brings a relationship of sovereignty.

#### **e. Minority Rights**

There has been no violation of exercising basic minority shareholders' rights like attendance to the general assembly meeting, representation by proxy and imposition of no upper limit for voting rights. In this manner it has been observed that care is given to the exercise of minority rights.

However, extending minority rights with Articles of Association and covering those

shareholders who have less than 1 / 20 of the capital would strengthen compliance with Corporate Governance Principles.

#### **f. Dividend Right**

Dividend Policy contains minimum information enabling the investors to foresee the procedure and guidelines for distribution of profit to be generated by the company in future periods. It has been emphasized that this policy was prepared taking into consideration the delicate balance between the expectations of shareholders and the needs of the company.

Information like dividend distribution ratio, payment method and time have also been disclosed to public in this document.

Company's Articles of Association Article 24 states that "Net profit's 10 % will be distributed to (A) Group shareholders in accordance with the ratio of their shares, without hurting first dividend." There is privilege for (A) Group shareholders.

There is no provision in the Articles of Association on payment of dividend advance.

At the ordinary General Assembly meeting on 19.04.2022 it was decided not to give dividends due to the losses as a result of 2021 activities.

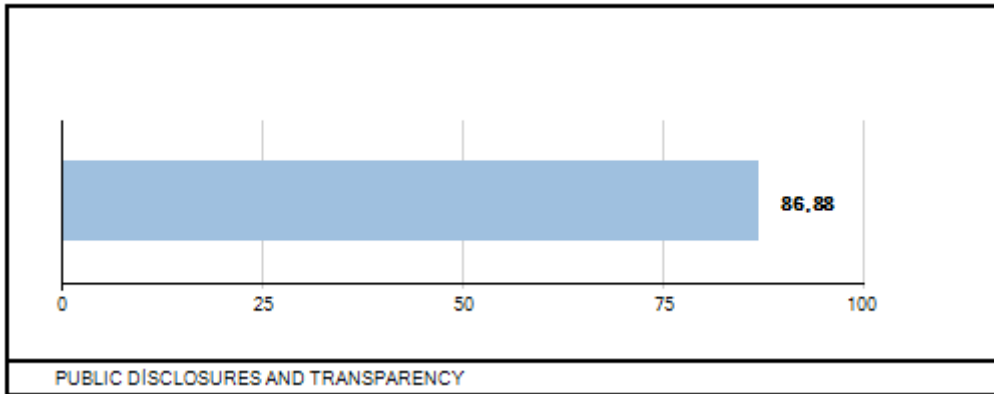
The profit distribution decision of the board of directors and the profit distribution table were published on the Public Disclosure Platform on the same day as the invitation to the general assembly.

The company's practices in this subsection are in accordance with the corporate governance principles.

#### **g. Transfer of Shares**

There are no articles in the Articles of Association that restrict transfer of shares. We have seen no practices that make it difficult to freely transfer shares.

## B. PUBLIC DISCLOSURE AND TRANSPARENCY



### Overview

- ✓ Disclosure policy has been prepared and disclosed to public through electronic media.
  - ✓ Corporate website is used effectively as a current tool for public disclosures within the context as stated by the principles.
  - ✓ The information and documents, required by principles to be on the corporate website, are published based on last five years.
  - ✓ The annual report is comprehensive, and its content mostly reflects the principles.
- ✓/✗ The Disclosure Policy, which has been updated, approved by the Board of Directors and disclosed to public, must be presented to the General Assembly for approval.
- ✓/✗ It will be appropriate to give information in the annual reports about conflicts of interest between the company and other establishments that provide services like investment consultancy or rating and precautions taken to prevent these conflicts of interest.
- ✗ Annual Report does not contain the Board decision about approval of Company's balance – sheet and income statement by the Board of Directors and its presentation to the General Assembly for approval.
- ✗ Annual Report does not contain responsibility declaration, which states that the annual report and periodical financial statements reflect exact financial situation of the Company and that it fully complies with regulations.
- ✗ Annual Report does not contain independence declarations of independent members of board of directors.

As for this section, the Company has been assessed by 92 different criteria under the headings of **Corporate Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **86,88**.

In this main heading, the company has lost some grades compared to the previous period. In addition to the issues that were critical in the previous period, the lack of regular material disclosure about some litigation processes is the main reason for the loss of grades in this main topic.

Batçım conducts public disclosures within the scope of its Public Disclosures Policies

developed by the board and disclosed to public. The policy has been updated in accordance with CMB's Special Cases Communiqué No II.15-1 and disclosed on Public Disclosure Platform on 09.07.2019. This policy must be presented to the first General Assembly meeting for the approval of shareholders.

The officials in the Company who are charged with disclosures and have the authority for signature are Adil ULUDAĞ (Director of Financial Affairs and Accounting) and Yeşim Devrim YALÇIN (Investor Relations Unit Manager/ Head of Budget and Reporting).

Company's independent audit for 2021 was conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). There are no cases where the independent audit reports avoided expressing opinion, expressed opinion with qualifications or avoided signature in the reports. It has been learned from company officials that no event took place with the independent audit company or with its auditors that could damage this company's independence and there was no legal conflict with it.

With the suggestion of Audit Committee and Board of Directors and approval of the General Assembly, it has been decided that 2022 audit to be conducted by the same company.

#### **a. Corporate Website**

The corporate website (<https://www.baticim.com.tr/>) is updated regularly and the website is being used as an active and effective platform for disclosure to public. Information in corporate website is consistent with the statements made as part of regulations and there is no missing or conflicting information.

On the company's website, alongside with information bound to be disclosed by regulations, there is commercial registry info, information on latest shareholder and management structure, committees of board of directors and their working principles, information on whether there are privileged shares or not in the capital, dates and numbers

of commercial registry newspapers where changes were published along with the final text of company's Articles of Association, registration statement and circular, material disclosures, important board decisions, financial reports, annual reports, agendas of general assembly meetings, the lists of attendees, the proceedings of the assemblies, the specimen Proxy, dividend policy, disclosure policy, remuneration policy, compensation policy, donation policy, business ethics rules and information requests, questions and notifications and answers given under frequently-asked questions title.

The information provided to shareholders and potential investors cover last five years.

Some of this information on the website is also published in English for international investors.

In this subsection, the Company has achieved good compliance with corporate governance principles.

#### **b. Annual Report**

It is seen that board of directors has prepared the annual report in such a way that public can access comprehensive, complete and correct information on company activities. Annual reports of the last five years are accessible for shareholders and the public in electronic environment.

It is possible to reach many topics in the annual report, including;

Board members' and managers' ongoing jobs outside the company,

Members of subcommittees within the board of directors, meeting frequencies of these committees,

Number of Board meetings in that year and attendance of Board Members,

Changes of regulations, which might significantly affect company operations,

Information about mutual subsidiaries where direct participation ratio is over 5 %,

Social rights and professional training of employees, as well as other company activities that have social and environmental impacts and corporate social responsibility activities,

Information about the sector that company operates in and about its position within the sector.

In addition to topics quoted in regulations and other parts of corporate governance principles, annual reports also include information on Period of report, title of the Company, trade registry number and contact information.

However, the Annual Report does not include;

A statement of responsibility stating that the annual report and periodic financial statements prepared by the members of the company's board of directors, chief executive officer/general manager, head of department responsible for the preparation of periodic financial statements and reports, or the officer who has undertaken this responsibility, and, if a division of work has been made by the board of directors, the member/members of the board responsible for the preparation of periodic financial statements and reports fully reflect the financial position of the company and that the company fully complies with the legislation,

Independence declaration of independent board members,

Information about conflicts of interest between the Company and other enterprises that provide services like investment consultancy or rating and these measures taken by the Company to prevent conflicts of interest,

Information about the transactions of the members of the management body with the company on behalf of themselves or someone else and their activities within the scope of the prohibition of competition, within the framework of the permission given by the general assembly of the company,

Information about the degree of realization of the planned activities of the company and the status of the company against the determined strategic targets,

Evaluation of the board of directors regarding the development of the company and the possible financial risks it may encounter,

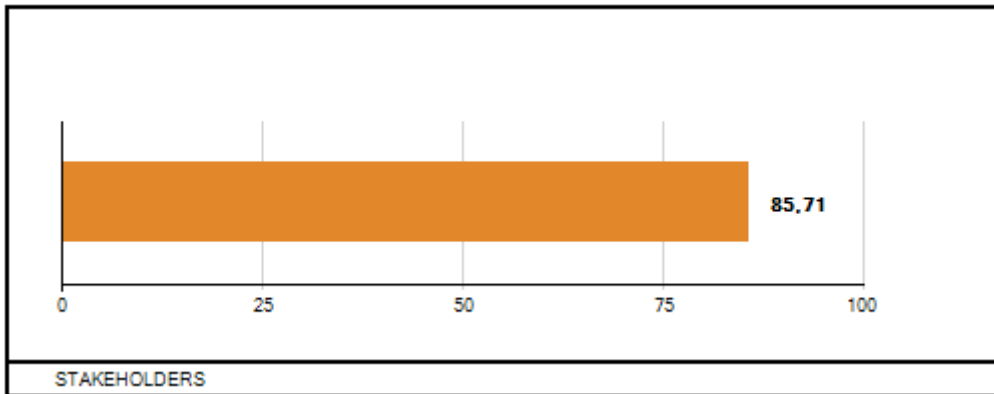
Developments after the end of the activity period.

These are considered as areas in need of improvement in this subsection.

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## C. STAKEHOLDERS



### Overview

- ✓ Business Ethics Rules have been prepared and disclosed in electronic environment.
- ✓ There are no regulations that make it difficult for stakeholders to exercise their rights.
- ✓ Human resources policy and many internal regulations concerning customers and stakeholders have been prepared.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There are no complaints made by employees about discrimination and difficulties in getting their rights.
- ✓ Compensation policy for employees has been prepared and disclosed to public.
- ✓ Blue – collar employees are unionized.
- ✓ Care is given to confidentiality of information about customers and suppliers on trade secret basis.
- ✓/\* There are no regulations in the Articles of Association or in company regulations supporting participation to management of employees and stakeholders.
- ✓/ \* The company has not yet determined its Sustainability Policies.
- \* No active mechanism has been prepared for stakeholders to report Company's unethical and irregular actions to the Corporate Governance Committee or Audit Committee.

In this section, the Company has been assessed by **104** different criteria under the headings of **Corporate Policies on Stakeholders, Supporting Stakeholders' Participation in Company Management, Company Policy on Human Resources, Relations with Customers and Suppliers, Ethical Rules and Social Responsibility and Sustainability** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **85,71**.

Although the practices of the company under the main heading of "Stakeholders" continue in parallel with the previous year, the adoption of the "Communiqué Amending the Corporate Governance Communiqué (II-17.1) (II-17.1.a)" and the regulations regarding the voluntary sustainability principles compliance framework to our methodology and Batıçim's lack of action on this issue yet resulted in a grade decrease.

#### **a. Corporation's Policy on Stakeholders**

The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations. It is concluded that Batıçim protects stakeholders' rights, which are specified in regulations and mutual contracts. The impression is that in case of lack of any regulation, the company respects stakeholders' rights within goodwill rules and company's reputation. It has been observed that many internal regulations were prepared to this end.

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

Stakeholders are adequately informed on company policies and procedures to protect their rights and company's corporate website (<https://www.baticim.com.tr/>) is being actively used for this purpose. It is thought that necessary mechanisms must be formed and implemented effectively for the stakeholders to inform Corporate Governance and Audit Committees about Company's unethical and irregular actions.

In this subsection, Batıçim has achieved compliance with the principles.

#### **b. Supporting Stakeholders Participation in Corporation's Management**

Stakeholders do not directly participate to management. It has been learned that exchange of opinions with stakeholders, by face-to-face meetings, take place from time to time in subjects that concern them.

Stakeholders are informed about matters concerning the company that concern them, through general assembly meetings, corporate website and Public Disclosure Platform disclosures.

It has been learned that Employee Opinion Polls are conducted to get employees' opinions on various subjects and that actions are taken in accordance with poll results. Similarly, Customer Satisfaction Polls are conducted.

These models currently support stakeholders' participation to. Company management. It would be appropriate to improve these models and put them into Articles of Association and inner regulations if necessary.

#### **c. Human Resources Policy of the Corporation**

Procedures on recruitment, working conditions, rewarding, disciplinary practices, power and responsibilities of employees, remuneration, health rights, leave rights, career planning, promotions, task alterations and dismissal, death, resignation, retirement and training has been developed and practice of acting in accordance with these procedures has been developed. Both during development of the policies and in practice we got the impression that equal opportunity is given to individuals under equal conditions.

Performance and reward criteria have been established and disclosed to employees, in determination of benefits provided to employees mentioned criteria is followed.

It has been determined that the Company runs training programs to increase knowledge, talents and experience of its employees and that it has prepared training policies.

As of 31.12.2021 Batıçim has employed 378 employees, including 97 white – collar and 281 blue - collar. In 2021 and first half of 2022, 5.173 hours of training (53 hours/person) was given to White – Collar employees. In the same period, 13.033 hours of training (46 hours/person) was given to Blue/Collar employees.

It has been seen that the Basic Human Resources Policy that the Company has already disclosed to public, aims to create

employees who are in line with contemporary norms, focused on performance, successful, loyal and highly motivated.

It is thought that Company's organizational structure is in line with work conditions.

Through examinations at the Company and interviews with employees, it has been learned that the employees are provided with a safe working environment and conditions and there exists no discrimination among employees in terms of race, religion, language and gender.

Blue-Collar employees are organized under the roof of T. Çimse-İş Union. Latest Collective Labor Agreement is valid between 01.01.2022 and 31.12.2023 and signed on 28.01.2022

Freedom to establish an association is not restricted, on the condition that permission is given.

Employee stock-options schemes are not developed.

In this subsection Batıçim has achieved rather good compliance with corporate governance principles.

#### ***d. Relations with Customers and Suppliers***

The Company conducts its business through dealers. Information and documents received from customers, dealers and suppliers during the activities are kept confidential within the scope of trade secret security.

Practices for suppliers and outsourced services have been prepared and their standards determined.

All facilities of Batıçim have TS EN ISO 9001 Quality Management System, TS EN ISO 14001 Environment Management System and TS 18001 OHSAS Work Health and Security Management System certificates.

In this subsection Batıçim has achieved rather good compliance with corporate governance principles.

#### ***e. Ethical Rules, Corporate Social Responsibility***

As a Batı Anadolu Group Company, employees of Batıçim have to act in accordance with Batı Anadolu Group Business Ethics Rules, like employees of other group companies. Business Ethics Rules have been prepared in detail under 8 main headings and disclosed on the corporate website. It is our impression that activities are conducted within the framework of these rules.

The Group fulfills social responsibility projects in various subjects including education, healthcare, culture and art. It builds schools and regularly supports NGO's.

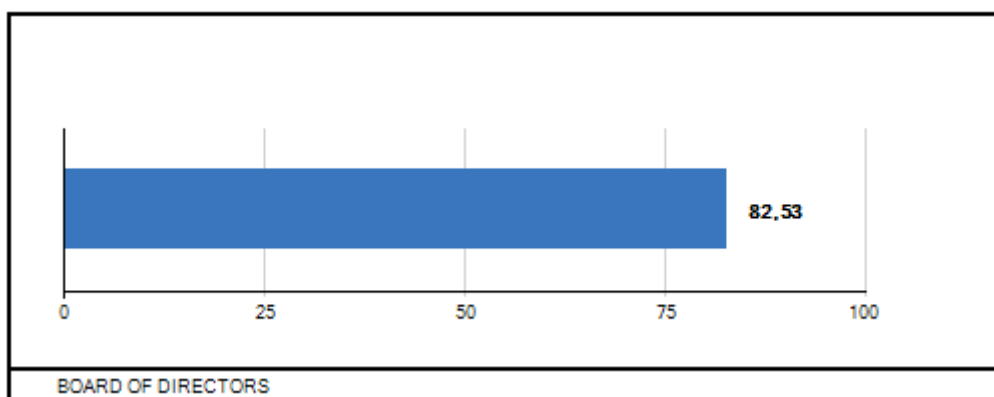
Within the scope the project titled "Have a Nice Market" neighborhood markets are visited. The project aims to help children and adults to develop balanced diets and exercise habits.

The Group have been supporting archeological digging of the ancient city of Magnesia, with the permission of Directorate of Cultural Assets and Museums, Ministry of Culture for over 20 years in order to ensure that more people know about Turkey's cultural heritage.

#### ***f. Sustainability***

On its corporate website, the company makes disclosure about Environmental Activities, Investment in Environmental Technology, Carbon Footprint Reduction, Waste Management, Eco-Labeling and Afforestation Activities. However, there are no studies in line with the content and form of the Communiqué Amending the Corporate Governance Communiqué (II-17,1) and the voluntary sustainability principles compliance framework (II-17,1.a). Similarly, the "sustainability principles compliance report", which should be prepared in accordance with the aforementioned communiqué, is not included in the annual report.

## D. BOARD OF DIRECTORS



### Overview

- ✓ Company's strategic targets, human and financial sources it requires are determined by the Board of Directors.
- ✓ The posts of Chairman and CEO are conducted by separate individuals and there is not any person with solely unlimited authority in the company.
- ✓ The number of Board Members is adequate for them to work productively and constructively.
- ✓ Majority of Board Members are non-executives.
- ✓ Every Board Member has one vote right.
- ✓ There is not any loan/credit involvement between Board Members and company.
- ✓ Corporate Governance, Audit and Early Detection of Risk Committees stated in the principles have been established and working principles are determined.
- ✓ Remuneration principles for members of board and top executives have been determined and disclosed to public.
- ✓/\* It would be appropriate for the Board of Directors to develop a method for performance evaluation of both the Board and members on individual basis
- ✓/\* Fees and benefits given to directors with administrative responsibilities are not disclosed on individual basis.
- \* (A) Group shareholders have the privilege of nominating candidates for the Board of Directors.
- \* Only 2 of Board Members are independent members.
- \* It would be appropriate to ensure that committees work more actively and more efficiently.
- \* Executive Financial Liability insurance is not yet made.
- \* There are no female members in the board of directors and a policy has not been determined in this regard.

In this section, the Company has been assessed by **141** different criteria under the headings of **Function of the Board of Directors, Principles of Activity of the Board of Directors, Structure of the Board of Directors, Procedure of Board of Directors Meetings, Committees Formed within the Structure of the Board of Directors and Financial Rights Provided for the Members of the Board of Directors and Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **82,53**.

In this main heading, the company has lost some grades compared to the previous period. In addition to the critical issues in the previous period, the main reasons for the loss of grades in this period under this main heading are that no female members are appointed in the Board of Directors, the faults of the members of the board of directors during their duties are not covered by insurance, the number of independent members is 2 (two) people and has not been increased yet, and the internal audit unit has not been abolished and a new unit has not yet been established (or no outside service) as of the report date.

**a. Function of the Board of Directors**

By the strategic decisions it takes, Board of Directors manages and represents the company, keeping the risk, growth and return in balance while paying attention primarily to company's longterm interests under a reasonable and prudent risk management approach. In this sense, Board of Directors has described the corporate strategic objectives, and determined necessary human and financial resources.

Board of Directors monitors company activities to be in compliance with regulations, Articles of Association, internal procedures and policies and it supervises management performance.

Board of Directors is authorized to make decisions, to determine strategy and represent the company at the highest level.

In this subsection Batıçım has achieved rather good compliance with corporate governance principles.

**b. Principles of Activity of the Board of Directors**

It is our impression that Batıçım Board of Directors conducts its activities in an open, accountable, fair, and responsible fashion.

The distribution of responsibilities among board members, as well as their duties and powers are disclosed to public in the annual report.

The Board of Directors has established internal control systems, including risk management and information systems and processes, which can minimize the effects of risks that may affect the company's stakeholders, especially the shareholders, and conducted regular audits until November 2021. On the aforementioned date, the internal audit unit was closed, and it was learned that there was no internal audit yet until the report date. It has been stated by the officials that the internal audit unit will be restructured and reactivated in the near future.

No person in the Company has the authority to decide solely and in an unrestricted fashion. Positions of Chairman of the Board and CEO are hold by different individuals.

It is thought that Board of Directors plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders. To this end, the Board is in close cooperation with the Corporate Governance Committee and Investor Relations Department.

Board Members have not been included in "Manager Liability Insurance policy", against defects of them in performing their duties.

Regarding this subsection, it has been determined that the company has partially complied with the Corporate Governance Principles.

**c. Structure of the Board of Directors**

Company's Board of Directors is formed with 7 (seven) members, including 1 (one) Chairman and 6 (six) members. The requirement of having at least 5 (five) members to form the Board has been met and

the number of Board Members found sufficient to serve effectively and constructively and to form and efficiently organize activities of committees.

4 (four) Board members are non – executives, while 3 (three) of them are executives. 2 (two) members are independent members who satisfy the independence criteria laid down by the Corporate Governance Principles. A declaration of independence has been obtained from independent members.

Pursuant to the Decision of the Board Decision Body dated 13.01.2022 and numbered 2/27, since Batıçım is in the 2nd group company category, it would be appropriate to appoint 3 (three) independent members in the board of directors in accordance with the corporate governance principles article 4.3.4.

As a result of the election held in the general assembly dated 19.04.2022, no female members were appointed to the board of directors. “Determining a target rate and target deadline not less than 25% for the rate of female members in the board of directors, establishing a policy to achieve this target, and annual evaluation of the progress achieved by the board of directors in reaching this target” will be practices that strengthen compliance with the principles.

The company has partially complied with the principles through its practices in this subsection.

#### ***d. Procedure of Board of Directors Meetings***

According to the Articles of Association, Board of Directors convenes whenever Company affairs and transactions require meeting. However, having at least one meeting in month is obligatory. Articles of Association include provisions on necessary majorities for holding meetings and taking decisions.

It has been understood that Board of Directors comes together frequently enough to perform its duties efficiently. The Board held 29

(twenty-nine) meetings in 2021 and 10 (ten) as of June 2022.

Executive members of the Board determine meeting agendas. Board Members receive equal flow of information and documents related to agenda items are sent to members before meetings, giving them enough time to examine. Each member has one voting right at the Board of Directors. There are no veto powers for any member.

The ongoing jobs of the members of the board of directors outside the company are presented to the information of the shareholders at the general assembly meeting, where distinguishing in-group and out-group discuss their election.

There are no restrictions on board members for taking a job or jobs outside the company. However, in view of number of Board meetings and members’ attendance to these meetings, it is fair to say that members take care to allocate the necessary time for company affairs.

Secretarial function of the Board is conducted by Aylin ÖZKAN, assistant of Board of Directors.

In this subsection Batıçım has achieved compliance with corporate governance principles.

#### ***e. Committees Formed within the Structure of the Board of Directors***

In order for the Board of Directors to fulfil its duties and responsibilities soundly, Audit Committee, Corporate Governance Committee and Early Detection of Risk Committees have been established. Separate Nomination and Remuneration Committees have not been established because of the Board’s structure. These duties are conducted by Corporate Governance Committee. The Corporate Governance Committee Working Regulations also cover the working principles of the other two committees.

The committees' duties, working principles and their members have been determined and approved by the Board of Directors as documents in writing; then they have been disclosed to public via electronic means and Public Disclosure Platform.

The company has stuck with the principle, which requires that all members of the Audit Committee and minimum the Chairmen of other committees are appointed from independent members and the General Manager has not been assigned to any committee.

All sources and support are provided by the Board to ensure that the committees perform their duties.

Committees invite appropriate executives to their meetings to benefit from their opinions. All discussions in committees are recorded in writing.

Committees convene with the frequency deemed necessary for the efficiency of their activities. They report information on their activities and results of their meetings to the board of directors.

**The Audit Committee;** monitors performance and effectiveness of company's accounting system, public disclosure of financial information, independent audit and internal control system. The selection of independent audit company and supervision of its work at every stage is implemented by the audit committee.

Audit Committee held 8 (eight) meetings in 2021 and 2 (two) meetings in as of June 2022. The Committee has submitted the results of the meeting as a report to the board of directors.

The Committee comprises 2 (two) independent members. One of them meets the principle of "At least one of the Audit Committee members should have 5 years of experience in audit / accounting and finance.

**Corporate Governance Committee:** comprises 3 (three) members and 1 (one) of them is non – executive member. Its chairman is an Independent Member of Board. In accordance with CMB Corporate Governance Communiqué number II.17-1, Investor Relations Department Manager Yeşim Devrim YALÇIN has been appointed as member of Corporate Governance Committee on 10.07.2017 and she was assigned as Member of Corporate Governance Committee on the same day.

Corporate Governance Committee held 7 (seven) meetings in 2021 and 1 (one) meeting as of June 2022. It has reported meeting results to the board of directors. Committee activities and number of its meetings are disclosed in the annual report.

Working closely with the Corporate Governance Committee, Investor Relations Department reports to the board about its activities once a year.

**Early Detection of Risk Committee** is charged for early detection of risks that may endanger the existence, development and continuity of the company; it takes necessary measures against determined risks and manages the risk. It reviews the risk management system for at least once a year. Working principles of the committee have been prepared and disclosed to public in electronic environment.

The Committee consists of 2 (two) members. Its chairperson is an independent member. Other 1 (one) member is a non – executive members of board.

Early Detection of Risk Committee held 6(six) meetings in 2021 and 1 (one) meeting as of June 2022. It reported meeting results to the Board.

Secretarial functions of Corporate Governance, Audit and Early Detection of Risk Committees are conducted by Aylin ÖZKAN, assistant of Board of Directors.

As a result of work at the office over records and interviews with the Company officials, it is our opinion that making committees more efficient would strengthen compliance with corporate governance principles.

***f. Financial Rights Provided for Members of the Board of Directors and Executives***

Guidelines of remuneration of board members and top executives have been written, approved by the general assembly and disclosed to public in the electronic environment.

It has been seen that actions have been taken in compliance with the principle, which states that stock-options or payment plans based on corporate performance should not be used for remuneration of independent members of board. The emoluments of independent directors are sufficient to protect their independency.

It has been learned that the Company has not lent or extended loan to any member of board or top executive or made available any credit under personal loan through any third person or provided securities such as surety in favour of them.

Corporate governance principle of disclosing remuneration and all other benefits provided to directors and top executives on individual basis is not met.

However, from the point of view that the Board of Directors is responsible for achievement of Company's determined operational and financial performance targets; the annual report does not give information about whether or not targets are reached and if they are not, the reason for failure.

Board of Directors does not make performance assessments based on Board or individual.

There is no practice of rewarding or sacking of board members based on their performance

evaluations. These issues have been determined as areas in need of improvement in this subsection.



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

<b>GRADE</b>	<b>DEFINITIONS</b>
<b>9-10</b>	<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>
<b>7-8,9</b>	<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. The rights of the shareholders are impartially taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are fairly 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>
<b>6-6,9</b>	<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.</p>

<b>GRADE</b>	<b>DEFINITIONS</b>
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 and they are at a level that might cause the investor to incur material losses.</p>

