



Corporate Governance Compliance Rating Report

BATIÇİM

BATIÇİM Batı Anadolu Çimento Sanayii A.Ş.

29 July 2021

Validity Period 29.07.2021-29.07.2022

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;

in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published by 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, 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 74 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).

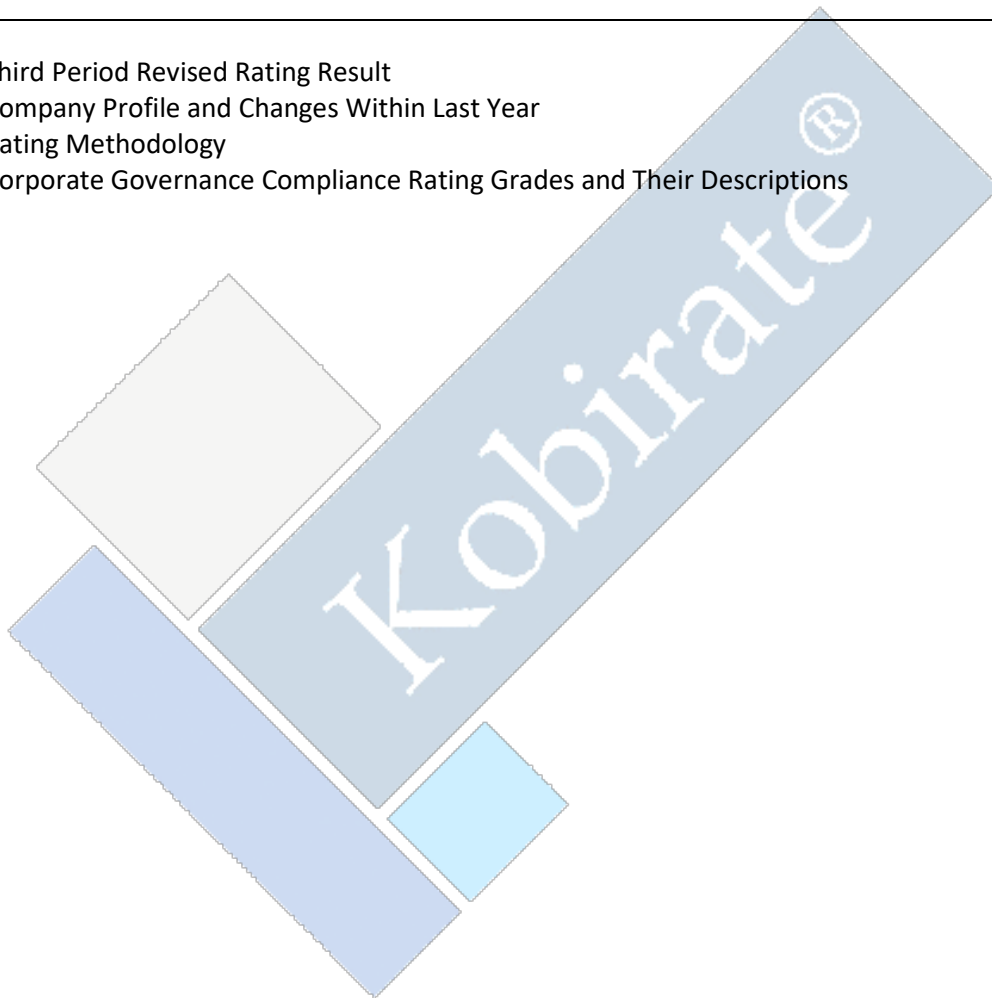
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Kurumsal Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

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.

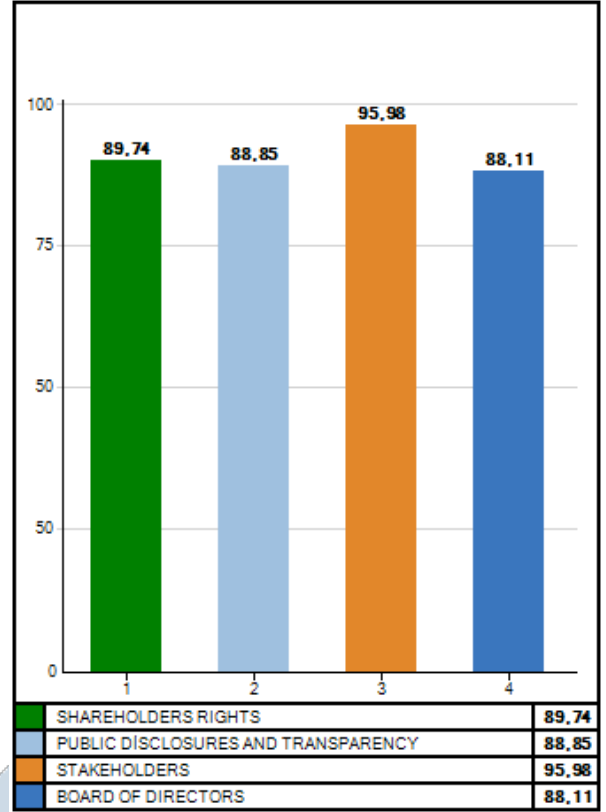
CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

8.99

Kobirate Uluslararası Kredi Derecelendirme
ve Kurumsal Yönetim Hizmetleri A.Ş.

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1. THIRD PERIOD REVISED RATING RESULT

This report of rating of compliance of Batıçım Batı Anadolu Çimento Sanayii A.Ş. with the Corporate Governance Principles is 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 and information open to public, interviews held with executives and persons involved, and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17.1 published by Official Gazette no 28871, dated January 3, 2014.

According to Capital Market Board decision dated 21.01.2021, No 4/97, Batıçım is among BIST 3rd Group companies. The Company has been evaluated through examination of 399 criteria described in Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim

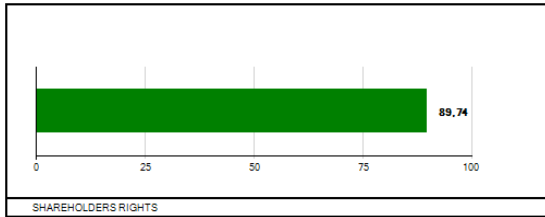
Hizmetleri A.Ş.'s methodology of "BIST 3rd Group Companies". At the end of examination of criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, Corporate Governance Compliance Rating Grade of Batıçım Batı Anadolu Çimento Sanayii A.Ş. has been revised as **8.99**.

This result signifies that Batıçım has achieved significant compliance with CMB's Corporate Governance Principles. Internal control systems have been formed and are being run, although few improvements are still required. Possible risks for the Company are determined and can be controlled. Rights of shareholders 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 in general. Although they don't pose great risks, some improvements, within the framework of corporate governance principals, are expected.

The grade indicates that Batıçim deserves to be on the BIST Corporate Governance Index.

▪ Batıçim's grade has been revised as **89.74** for the section of Shareholders.



- The document titled, "Announcement in line with Item 1.3.1, titled General Assembly of CMB Corporate Governance Communiqué No: II-17.1" was updated and improved as a briefing document and titled "Information Document" before the General Assembly meeting to discuss affairs of 2019. (*)

- At the General Assembly meeting information was given on the beneficiaries, as well as amount of aids and donations. (*)

(*) (These improvements overlapped with publishing date of our report on the previous period. Therefore they weren't mentioned and graded in that report.)

- The fact that there is one more employee in the Company who has CMB Activities Level-3 and Corporate Governance Rating Licenses and thus substitution of a qualified employee is achieved has affected the grade positively.

It has been determined that the Company has given necessary care for the shareholders to ensure exercise of their rights during the rating period.

Investor Relations Department is organized within the Department of Financial Affairs and reports directly to General Manager/CEO

Necip TERZİBAŞIOĞLU. Investor Relations Department Manager (Budget and Reporting Chief) Yeşim Devrim YALÇIN was appointed as Investor Relations Department Manager on 10.07.2017 and this appointment was disclosed with a Material Event Disclosure on the same date. Adil ULUDAĞ (Financial Affairs and Accounting Manager) is a member of Investor Relations Department. Yeşim Devrim YALÇIN has licenses for Capital Market Activities Level Three, Corporate Governance Rating and Derivative Instruments. She was also appointed as a member of Corporate Governance Committee on 29.07.2020 and it was disclosed with a Material Event Disclosure on the same date. Thus, compliance with CMB Corporate Governance Communiqué no II.17-1 was achieved.

It has been determined that Investor Relations Department reports and makes a presentation about its operations to the Board of Directors regularly once a year. Report on activities in 2020 was discussed by the Board of Directors on 29.06.2021.

It has been determined that inquiries of shareholders are answered without any delays and recorded. 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.

Batıçim's Material Event Disclosure dated 02.04.2021 is below:

"Our Company's shareholders;

- Mehmet Mustafa Bükey, Ateş Necdet Bükey and Volkan Bükey signed buying and selling contracts to transfer A Group shares with a total nominal value of TRY 3.767,542, at TRY 1 nominal value for each share, corresponding to USD 136,986301 and B Group shares with a total nominal value of TRY 12.760.903,388 at TRY 1 nominal value

for each share, corresponding to USD 1,712829 to Çiftay İnşaat Taahhüt ve Ticaret A.Ş.;

- Fatma Meltem Günel and Mutlu Can Günel signed buying and selling contracts to transfer A Group shares with a total nominal value of TRY 3.767,542 at TRY 1 nominal value for each share, corresponding to USD 136,986301 and B Group shares with a total nominal value of TRY 12.201.656,567 at TRY 1 nominal value for each share, corresponding to USD 1,712829 to Çiftay İnşaat Taahhüt ve Ticaret A.Ş.;

- Kemal Grebene and Sülün İlkin signed buying and selling contracts to transfer A Group shares with a total nominal value of TRY 3.703,995 at TRY 1 nominal value for each share, corresponding to USD 136,986301 and B Group shares with a total nominal value of TRY 14.753.807, 567 at TRY 1 nominal value for each share, corresponding to USD 1,712829 to Çiftay İnşaat Taahhüt ve Ticaret A.Ş.;

- Belgin Egeli, Mehmet Bülent Egeli, Begüm Egeli Bursaligil and Yıldız Egeli Yavuz signed buying and selling contracts to transfer A Group shares with a total nominal value of TRY 6.732,642 at TRY 1 nominal value for each share, corresponding to USD 136,986301 B Group shares with a total nominal value of TRY 14.310.112,274 at TRY 1 nominal value for each share, corresponding to USD 1,712829 to Çiftay İnşaat Taahhüt ve Ticaret A.Ş.;

Contracts were signed separately on 02.04.2021. Transfer of shares will take place after approvals by authorities and share transfer prices will be paid on the day of transfer in USD.”

According to these disclosures, 30.0247% of the afore mentioned shareholders' shares will be transferred to Çiftay İnşaat Taahhüt ve Ticaret A.Ş. for USD 95,000,000.

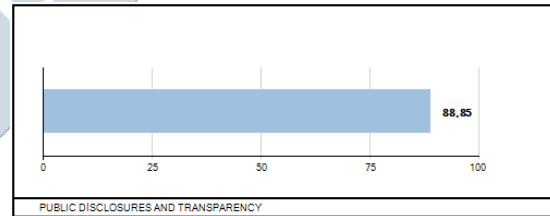
According to Material Event Disclosure dated 14.07.2021: Application for permission made to the Competition Authority on 17.04.2021 was concluded and with Competition Authority's decision dated 08.07.2021, No:

21-34/ 477-239, permission was given for transfer of shares. This decision was published on Competition Authority's website. Since the transfer of shares hasn't taken place yet, Ordinary General Assembly meeting to discuss activities of 2020 did not take place.

However, assessing the policies of previous years, it has been determined that the Company carries out processes before and after the general assembly meeting in accordance with relevant laws, regulations and CMB Corporate Governance Principles. These have been explained in detail in our corporate governance rating reports of previous periods.

According to independently audited financial statements the Company made a loss of TRY 415,324,427 in 2020. Due to afore mentioned reasons the Board of Directors has not yet made any decision on profit/loss in 2020.

- Company's grade has been revised as **88.85** for the section of Public Disclosure and Transparency.



Batıçım has informed the shareholders and public in time and sufficiently during the process of shares transfer.

It is also observed that during the global pandemic the Company continued to rapidly and sufficiently inform all stakeholders about its activities and precautions that it took.

Responsible and authorized signatures for company's public statements are Mehmet Bülent EGELİ (Member of Board /Secretary General), Adil ULUDAĞ (Financial Affairs and Accounting Manager) and Yeşim Devrim YALÇIN (Investor Relations Department

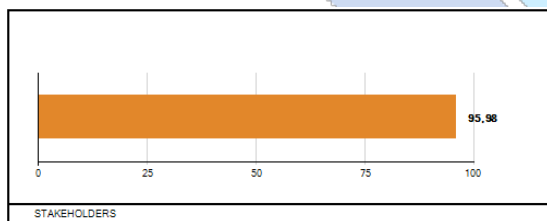
Manager/ Budget and Reporting Chief). These individuals are assigned to manage and monitor all issues concerning public disclosure

2020 independent audit has been conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global 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 its decision dated 02.03.2021, No: 2021/02; the Audit Committee recommended to the Board that 2021 external audit to be carried out by same company. The recommendation was by the Board on the same date with decision no: 1437/03-01. However, since the General Assembly meeting did not take place as of the publishing date of this report, the recommendation couldn't be presented to shareholders for approval.

It has been seen that the corporate website and annual reports are used as instruments for public disclosure efficiently and in accordance with the criteria referred by the principles.

▪ Company's grade has been confirmed as **95.98** for the section of Stakeholders.



The Company made necessary planning during the pandemic in order to protect its stakeholders starting with employees. This is the main reason for grade increase in this section. It has also been learned that precautions have been taken in this period to

ensure continuity in the processes of domestic sales, exports and procurement, as well as in the management of work Capital.

It is our impression that the Company works to protect stakeholders' rights, which are specified in regulations and mutual contracts. There are many internal regulations for this purpose.

Compensation policy for employees has been prepared and disclosed to public through corporate website.

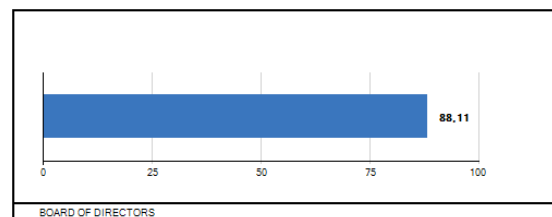
Procedures on recruitment, remuneration, health, leave rights, promotion, appointments, discipline, dismissal, death, resignation and retirement have been determined. It is our impression that the company sticks to these policies in practice. It is thought that the principle of equal opportunities for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

As of yearend 2020 Batıçim has a total of 384 employees (100 white collar and 284 blue collar). In the same period the Group had a total of 934 employees (194 white collar and 740 blue collar).

Blue collar employees of the Group are organized under the roof of Türkiye Çimse-İş Union.

The Company discloses its activities in the fields of corporate social responsibility and sustainability in its annual reports.

▪ Batıçim's grade has been revised as **88.11** for the section of Board of Directors.



- Active work performance of Board Committees and
- the fact that the meeting took place through remote access during the pandemic and decisions were registered through electronic signature are main reasons for grade increase in this section.

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.

Board of Directors has described corporate strategic objectives of the Company. Posts of Chairman of Board and General Manager are held by two different individuals and their powers are described Audit, Corporate Governance and Early Detection of Risk Committees, which are referred to by the principles are established and their working rules have been determined and approved as written documents. Company's General Manager does not have any assignment in the committees.

Board of Directors comprise 11 (eleven) members, including 1 (one) executive and 10 (ten) non – executive members. 2 (two) of the non – executive members are independent members who meet the CMB criteria for independence. Independent members have presented their declaration of independence within the framework of CMB criteria to the Nomination Committee when they have been nominated as candidates.

There are 3 (three) women members of the Board. It is in compliance with CMB criterion, which states that ratio of women members in the board should “be no less than 25 %”.

The Board held 19 (nineteen) meetings in 2020 and 6 (six) in 2021, as of June.

Audit Committee held 9 (nine) meetings in 2020 and 5 (five) meetings in 2021 as of June.

Early Detection of Risk Committee held 6(six) meetings in 2020 and 3 (three) meetings in 2021 as of June.

Corporate Governance Committee held 7 (seven) meetings in 2020 and 4 (four) meetings in 2021 as of June. Committees have reported meeting results to the Board of Directors.

Secretarial function of the Board and the committees is carried out by Begüm EGELİ BURSALIGİL, Board Member and Secretary – General. BURSALIGİL was appointed to this position with Board decision dated 06.04.2021, No: 1439/04-01.

Manager Liability Insurance amounting to 25% of the capital against defects of Board Members duties have been made. The insurance covers all group companies and it doesn't meet 25% of Company's capital. There has been no disclosure at Public Disclosure Platform on this subject.

Guidelines of remuneration of Board Members and Top Executives have been determined and disclosed to public through corporate website.

Board of Directors does not make performance assessments on the basis of Board or individual and there is no practice of rewarding or sacking of board members based on their performance evaluations.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:



Company Name : Batıçım Batı Anadolu Çimento Sanayii Anonim Şirketi
Company Address : Ankara Caddesi No: 335
Bornova/ İZMİR
Company Phone : (0232) 4784400
Company Fax Number : (0232) 4784444
Company's Web Address : www.baticim.com.tr

Date of Incorporation : 05/09/1966
Registered Number : 29465-282
Paid in Capital : 180.000.000 TL

Line of Business : Production of Clinker, cement and aggregate.
Company's Sector : Stone and soil based production industry

Company's Representative in Charge of Rating:

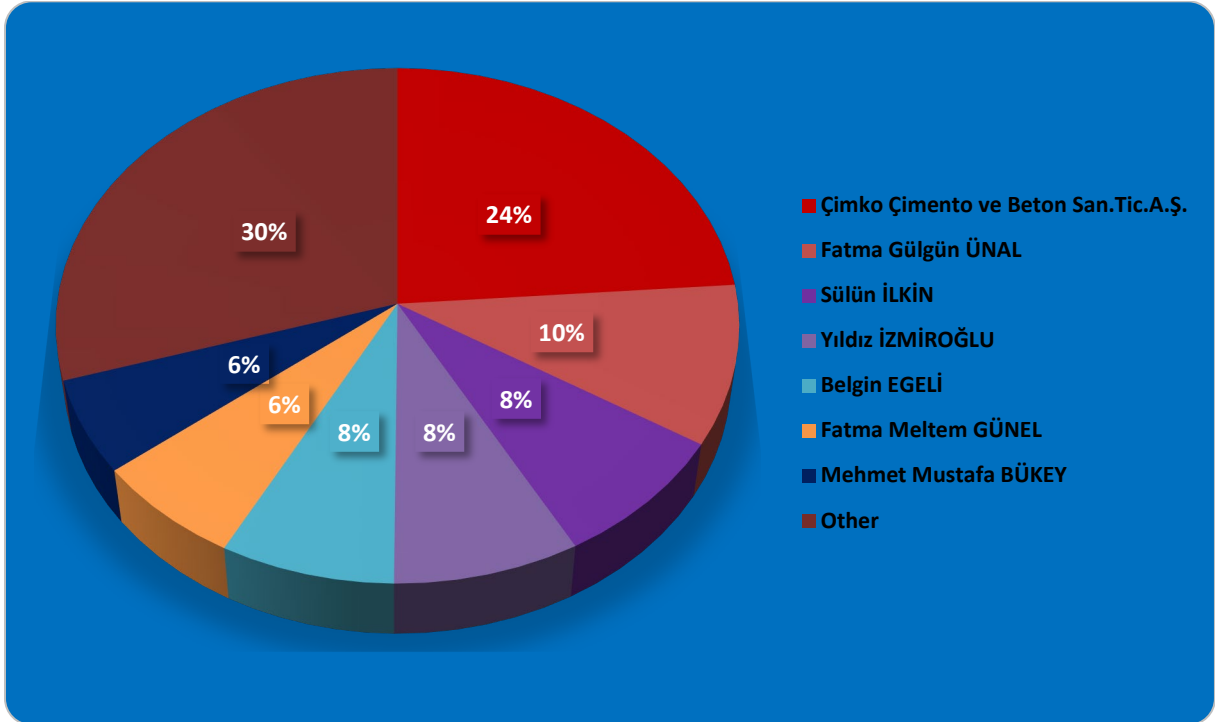
Yeşim Devrim YALÇIN

Investor Relations Department Manager

yesimyalcin@baticim.com.tr

0232 478 44 00

Shareholder Structure (as of 07.04.2021)



Source: www.kap.org.tr

Shareholder Name	Share (TL)	Share (%)
Çimko Çimento ve Beton San.Tic.A.Ş.	42.866.087,03	23,81
Fatma Gülgün ÜNAL	17.957.524,67	9,98
Sülün İLKİN	14.750.524,17	8,19
Yıldız İZMİROĞLU	14.708.849,50	8,17
Belgin EGELİ	13.753.763,70	7,64
Fatma Meltem GÜNEL	11.925.921,05	6,63
Mehmet Mustafa BÜKEY	10.525.672,80	5,85
Other	53.511.657,08	29,73
Total	180.000.000,00	100,00

Source: www.kap.org.tr

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
Batıçim 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.org.tr

Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
Mehmet Mustafa BÜKEY	Chairman of Board	NON-EXECUTIVE
Mehmet Bülent EGELİ	Deputy Chairman of Board	NON-EXECUTIVE
Tufan ÜNAL	Member of Board	NON-EXECUTIVE
Fatma Meltem GÜNEL	Member of Board	NON-EXECUTIVE
Sülün İLKİN	Member of Board	NON-EXECUTIVE
Necip TERZİBAŞIOĞLU	Member of Board /General Manager	EXECUTIVE
Feyyaz ÜNAL	Member of Board	NON-EXECUTIVE
Kemal GRÉBENE	Member of Board	NON-EXECUTIVE
Begüm EGELİ BURSALIGİL	Member of Board	NON-EXECUTIVE
Şükrü Serdar BAĞCIOĞLU	Independent Member of Board	NON-EXECUTIVE
Mustafa Teoman GÜRGAN	Independent Member of Board	NON-EXECUTIVE

Executive Board

Name/ Surname	Title
Necip TERZİBAŞIOĞLU	Chairman of Executive Board
Mutlu Can GÜNEL	Member of Executive Board
Kamil GREBENE	Member of Executive Board
Yıldız EGELİ YAVUZ	Member of Executive Board
Volkan BÜKEY	Member of Executive Board

Source: Information from the Company

Executive Management

Name/Surname	Title
Necip TERZİBAŞIOĞLU	General Manager/ Chairman of Executive Board
Mutlu Can GÜNEL	Member of Executive Board
Volkan BÜKEY	Member of Executive Board
Kamil GREBENE	Member of Executive Board
Yıldız EGELİ YAVUZ	Member of Executive Board
Mehmet İlker ÖZGELEN	Administrative Manager
Hayer YALNIZ	Raw Materials Manager
Adil ULUDAĞ	Financial Affairs and Accounting Manager
Mustafa KAHVECİ	Purchasing Manager
Mehmet Gökhan GÜMÜŞ	Quality Control and Guarantee Manager
Fatih USTA	Human Resources Manager
Mehmet TAŞKAPILI (*)	Internal Audit Manager
Erol İŞCAN	Maintenance Manager
Barış KOYLAN	Production Manager
Ali Rıza PINARLI	Finance Manager
Oral ENGİZEK	Marketing and Sales Manager
Mehmet Kemal ASLAN	IT Manager
Selçuk UÇAR	Marketing Director

(*)Internal Audit Manager Mehmet TAŞKAPILI resigned from his position at the Company on 9.01.2021.

Source: Information from the Company

Committees Formed Within Board of Directors

AUDIT COMMITTEE	
Mustafa Teoman GÜRGAN	Independent Member of Board
Şükrü Serdar BAĞCIOĞLU	Independent Member of Board

CORPORATE GOVERNANCE COMMITTEE	
Şükrü Serdar BAĞCIOĞLU	Independent Member of Board (Chairman)
Kemal GREBENE	Member of Board (Non-Executive Member)
Yeşim Devrim YALÇIN	Investor Relations Department Manager

EARLY DETECTION OF RISK COMMITTEE	
Mustafa Teoman GÜRGAN	Independent Member of Board (Chairman)
Fatma Meltem GÜNEL	Member of Board (Non-Executive Member)
Begüm EGELİ BURSALIGİL	Member of Board (Non-Executive Member)

Source:PDP disclosure dated 29.07.2020

Balance-Sheet comparison of Company's certain selected items for last two yearends

	2019/12	2020/12	Change %
Curent Assets	466.314.450	617.082.871	32,33
Fixed Assets	1.963.616.582	1.920.113.194	-2,22
Total Assets	2.429.931.032	2.537.196.065	4,41
Short Term Liabilities	647.306.435	1.168.996.888	80,68
Long Term Liabilities	1.030.267.428	1.033.745.366	0,338
Equity	752.357.169	334.453.811	-55,55

Source: Batıçim Batı Anadolu Çimento San. A.Ş. 01.01.2020-31.12.2020 Independent Audit Report

Profit / Loss Comparison of Some Items for Last Two Yearends

	2019/12	2020/12	Change %
Revenue	783.591.810	1.160.528.594	48,10
Main Operational Profit / Loss	(84.111.929)	40.076.750	147,65
Operational Profit or Loss	(246.046.845)	(416.598.016)	-69,32
Period Profit / Loss	(232.230.562)	(415.324.427)	-78,96

Source: Batıçim Batı Anadolu Çimento San. A.Ş. 01.01.2020-31.12.2020 Independent Audit Report

Peak and Bottom Closing Values of Company shares traded at BIST between 26.07.2020-26.07.2021

Bottom (TL)	Peak (TL)
3,21.- (17.08.2020)	17,67.- (11.03.2021)

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

MAIN MARKET

BIST INDUSTRIAL/ BIST MAIN / BIST İZMİR / BIST ALL-100 / BIST CORPORATE GOVERNANCE / BIST STONE SOIL

Kaynak: www.kap.org.tr

B. Changes within last year:

i. Changes in Capital and Articles of Association:

Batıçim's Material Event Disclosure dated 02.04.2021 is below:

"Our Company's shareholders;

- Mehmet Mustafa Bükey, Ateş Necdet Bükey and Volkan Bükey; signed buying and selling contracts to transfer A Group shares with a total nominal value of TRY 3.767,542, at TRY 1 nominal value for each share corresponding to USD 136,986301 and B Group shares with a total nominal value of TRY 12.760.903,388 at TRY 1 nominal value for each share corresponding to USD 1,712829 to Çiftay İnşaat Taahhüt ve Ticaret A.Ş.;
- Fatma Meltem Günel and Mutlu Can Günel signed buying and selling contracts to transfer A Group shares with a total nominal value of TRY 3.767,542 at TRY 1 nominal value for each share corresponding to USD 136,986301 and B Group shares with a total nominal value of TRY 12.201.656,567 at TRY 1 nominal value for each share corresponding to USD 1,712829 to Çiftay İnşaat Taahhüt ve Ticaret A.Ş.;
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- Belgin Egeli, Mehmet Bülent Egeli, Begüm Egeli Bursalıgil and Yıldız Egeli Yavuz signed buying and selling contracts to transfer A Group shares with a total nominal value of TRY 6.732,642 at TRY 1 nominal value for each share corresponding to USD 136,986301 B Group shares with a total nominal value of TRY 14.310.112,274 at TRY 1 nominal value for each share corresponding to USD 1,712829 to Çiftay İnşaat Taahhüt ve Ticaret A.Ş.;

Contracts were signed separately on 02.04.2021. Transfer of shares will take place after approvals by authorities and share transfer prices will be paid on the day of transfer in USD."

According to these disclosures, 30.0247% of the afore mentioned shareholders' shares will be transferred to Çiftay İnşaat Taahhüt ve Ticaret A.Ş. for USD 95,000,000.

According to Material Event Disclosure dated 14.07.2021: Application for permission made to the Competition Authority on 17.04.2021 was concluded and with Competition Authority's decision dated 08.07.2021, No: 21-34/ 477-239, permission was given for transfer of shares. This decision was published on Competition Authority's website. Transfer of shares hasn't taken place yet.

There have been no changes in the Articles of Association during the rating period.

ii. Changes in Management and Organization

Board Member and Secretary-General Mehmet Bülent EGELİ left his position as Secretary-General on 29.07.2020. Board Member Begüm EGELİ BURSALIGİL has been appointed as Secretary-General with Board decision dated 06.04.2021, No: 1439/04-01.

According Batıçım's Material Event Disclosure dated 30.09.2020;

Position of Marketing Director has been established in the Company and Selçuk UÇAR was appointed to this position as of 01.10.2020.

No other changes have taken place in Company's management and organization during the period of rating.

iii. Dividend Distribution:

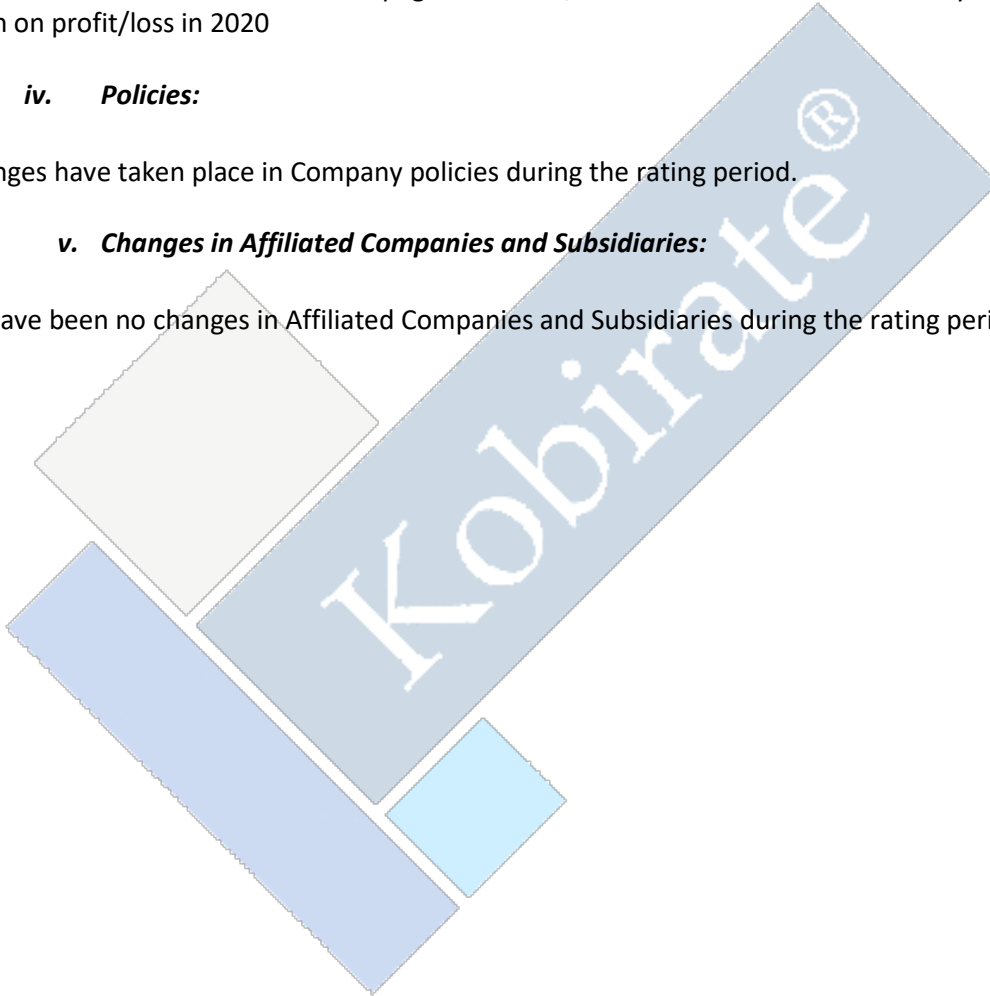
According to independently audited financial statements the Company made a loss of TRY 415,324,427 in 2020. Due to reasons mentioned on pages 5 and 14, the Board of Directors has not yet made any decision on profit/loss in 2020

iv. Policies:

No changes have taken place in Company policies during the rating period.

v. Changes in Affiliated Companies and Subsidiaries:

There have been no changes in Affiliated Companies and Subsidiaries 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 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.

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 this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

399 criteria are used in the rating process for BIST 3rd Group Companies in order to measure the compliance of firms with corporate governance principles.

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 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 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 COMPLIANCE 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>

