



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

 **ALARKO**

***Alarko Holding A.Ş.***

2 October 2024

Validity Period 02.10.2024-02.10.2025

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Alarko Holding Anonim Şirketi;

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 Uluslararası 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.

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

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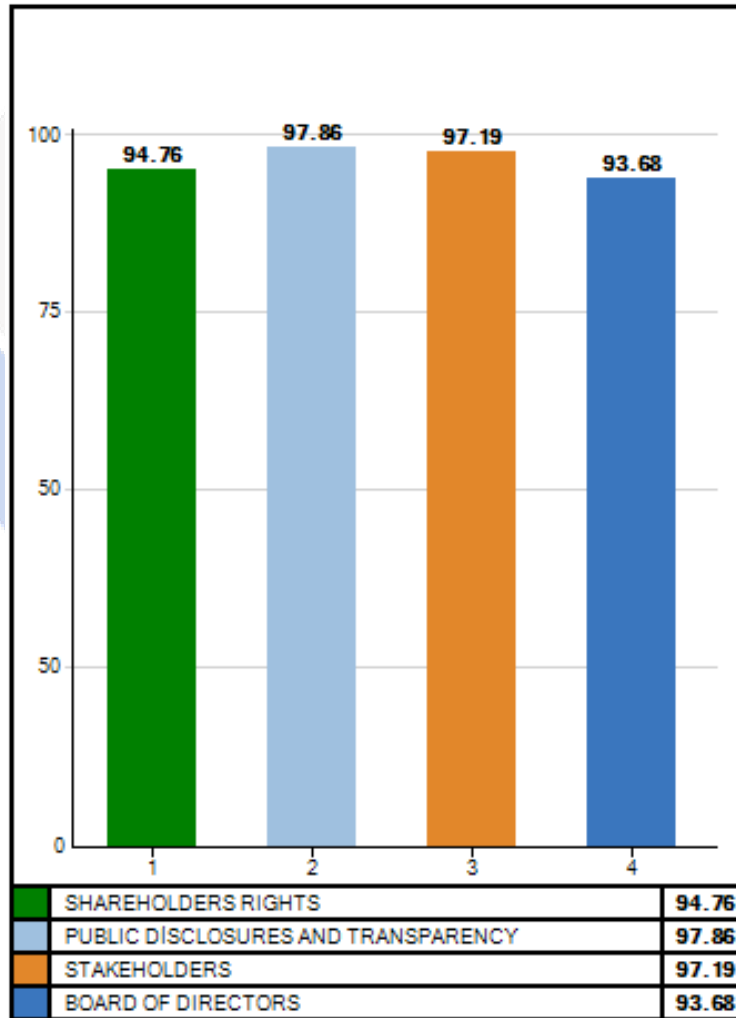
**ALARKO HOLDİNG A.Ş.**

**1. RATING RESULT**

**BIST FIRST GROUP COMPANY**

**CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE**

**9.55**





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## 2. REVISED RATING SUMMARY

This report of rating of compliance of Alarko Holding A.Ş. with the Corporate Governance Principles is concluded through onsite examinations of the documents and information open to the public, interviews held with executives and persons involved, and 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 Kurumsal 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 Capital Markets Board dated 25.01.2024 and numbered 6/121, Alarko Holding A.Ş. is in the Bist 1st Group Companies list. The Company has been evaluated through examination of 456 criteria described in Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology of "BIST 1st Group Companies". At the end of the examination of criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, the Corporate Governance Compliance Rating Grade of Alarko Holding A.Ş. has been revised as **9.55**.

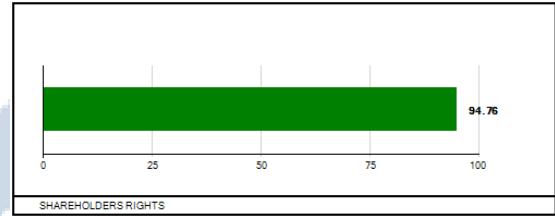
This result shows that the Company has achieved very high compliance with the Corporate Governance Principles issued by the Capital Market Board. Potential risks that the Company may be exposed to are identified and can be managed. The level of public disclosure and transparency are high. Rights of the shareholders and stakeholders are treated fairly. Composition and operational conditions

of the Board highly comply with the Corporate Governance Principles.

When the activities of Alarko Holding A.Ş. for the last one year are examined, it is seen that it has been maintaining its compliance with Corporate Governance Principles.

In conclusion, this rating indicates that the Company highly deserves to be included in the BIST Corporate Governance Index.

▪ In the Shareholders section, the rating of Alarko Holding has been confirmed as **94.76**.



During the reviewing period, it has been observed that the company continues its activities in the field of informing the shareholders and exercising their fundamental shareholder rights with the same sensitivity and efficiency. It is understood that the harmonious cooperation of the Investor Relations Directorate with the Corporate Governance Committee is effective in the correct and effective exercise of the rights of the shareholders.

Activities on relations with shareholders are carried out by the Investor Relations Directorate, which directly reports to the Strategy and Business Development Group President Mr. Alpaslan SERPEN.

Investor Relations Director Mr. Özgür KALYONCU started to work on 12.06.2019. In accordance with the CMB's Corporate Governance Communiqué No. II.17-1, she was appointed as a Member of the Corporate Governance Committee as well. The aforementioned development was announced to the public with the Material Disclosure on

the same date. Mr. KALYONCU has Capital Market Activities Advanced Level and Corporate Governance Rating Specialist Licenses.

The Investor Relations Directorate regularly makes presentations to the Board of Directors about its reporting and activities, and it has made two presentations to the Board of Directors and the Corporate Governance Committee in 2023.

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

The company carries out its disclosures to the shareholders and the public in accordance with the "Disclosure Policy". The said policy is published on the corporate website of the company.

The General Assembly meeting to discuss operations of 2023 took place on 27th of May, 2024. The invitation to the ordinary general assembly meeting was published on the Public Disclosure Platform (PDP), the Central Registry Agency e-general assembly system (EGAS) on 30.04.2024, and in the Turkish Trade Registry Gazette (TTRG) dated 03.05.2024 and numbered 11074. The meeting invitation was made at least 3 (three) weeks before the meeting date as stipulated by the principles.

The general assembly information document provides detailed information on the distribution of company shares, the voting rights granted by the shares and the privileges regarding voting. In addition, whether the shareholders have a request to add an item to the agenda and the information that is required to be announced to the shareholders and the public in the corporate governance principles are also included.

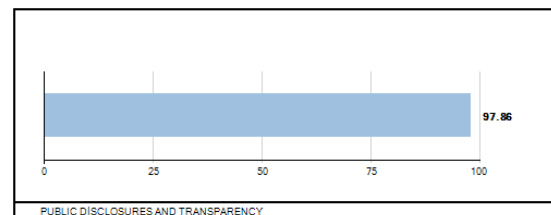
Executives and auditors who are authorized to brief participants on special subjects and answer their questions have attended the meeting. Attending senior executives were

Izzet GARIH (Chairman of the Board of Directors), Mr. Vedat Aksel ALATON (Deputy Chairman of the Board of Directors), Ms. Leyla ALATON (Member of the Board of Directors), Mr. Niv GARIH (Member of the Board of Directors), Ms. Neslihan TONBUL (Independent Member of the Board of Directors), Ms. Lale ERGİN (Independent Board Member), Ms. Nihal MASHAKİ SEÇKİN (Independent Board Member), Mr. Ümit Nuri YILDIZ (Member of the Board of Directors and Group Chief Executive Officer), Mr. Mehmet AHKEMOĞLU (Financial Affairs Group President), Ms. Pınar YAMANER (People and Organization Group President), Mr. Alpaslan SERPEN (Strategy and Business Development Group President) and Mr. Serkan DEMİR (Information Technologies and Digital Transformation Group President), and Mr. Özgür KALYONCU (Investor Relations Director) and Independent Audit Company Representative.

Net distributable profit for the period 2023 was 978,746,789.37 TL according to the financial statements prepared in accordance with the TPL and 6,578,548,106.33 TL according to the consolidated financial statements prepared within the framework of the CMB legislation. The way the profit is used is explained in the "ii. Dividend Distribution" section of our report.

The profit distribution proposal 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.

▪ In the Public Disclosure and Transparency section, the company's rating was revised to **97.86**.



The improvements in this section that justify a rating increase for the company are:

- Inclusion of information on significant asset acquisitions or sales in the Annual Report,
- Renewal of the Corporate Website and the internal company intranet,
- Creation of informative and promotional pages related to sustainability,
- Enhancement and enrichment of the content of the Annual Reports.

It has been determined that Alarko Holding's works on public disclosure and transparency are in compliance with legal regulations and corporate governance principles. Annual reports are very rich in content and contain sufficient information about the activities.

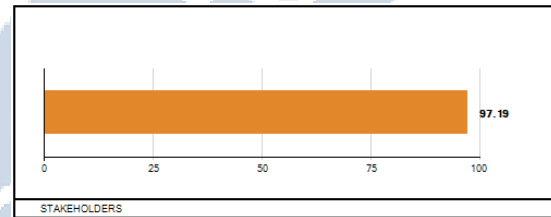
The corporate website ([www.alarko.com.tr](http://www.alarko.com.tr)) is updated regularly, and the website is being used as an active and effective platform for disclosure to the public. All information and documents that the public, investors and other interested parties want to access are published on the corporate website of the company for the last five (5) years. It has been observed that this information is consistent with the disclosures made in accordance with the provisions of the relevant legislation and does not contain contradictory and incomplete information. The corporate website is designed as a convenient, easily accessible structure.

The officials in the Company who are charged with disclosures and have the authority for signature are: Mr. Ümit Nuri YILDIZ (Member of the Board of Directors and Group Chief Executive Officer), Mr. Mehmet AHKEMOĞLU (Financial Affairs Group President), Mr. Süleyman Sami İNAL (Financial Affairs Director). The named persons have been assigned to maintain and monitor all kinds of issues related to public disclosure.

The independent external audit for 2023 was carried out by BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş. (Member BDO International Network). There are no cases

where the independent audit avoided expressing opinion, expressed opinion with conditions or avoided signature in the reports. During the meeting with the company officials, it was learned that there was no development that would harm the independence of the independent audit firm and its auditors and that there was no legal dispute. The same institution was elected as the independent auditor with the recommendation of the audit committee and the approval of the general assembly for the independent external audit of the accounts and transactions of the 2024 operating year within the framework of the Capital Markets legislation, the Turkish Commercial Code and the relevant legislation.

▪ In the Stakeholders section, the company's rating has been revised to **97.19**.



The reasons for the company's rating increase under this heading are:

- The Performance Management System has been updated,
- Implementation of the A-Live intranet as of January 2024 to ensure healthier communication with internal stakeholders,
- Evaluation of the outcomes from the Internal Satisfaction Survey,
- Activation of the "Alarko Future Club" to boost internal stakeholder motivation and foster leadership,
- As a UNGC signatory, the company shared its first progress report with the public,
- An active approach to sustainability management, including organizing sustainability conferences and sharing knowledge within the company,
- The establishment of the Alarko Leadership School, which supports internal stakeholders' individual performance and



development needs with comprehensive development tools and training.

It is concluded that Alarko Holding 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.

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

Recruitment, wage, health, leave rights, promotions, appointments, discipline, dismissal, death, resignation and retirement regulations have been established. During the reviewing period, all these regulations were updated in accordance with the company's change philosophy. It is thought that these procedures are adhered to in practice, as well. Both during the development of the policies and in practice, we got the impression that equal opportunity is given to individuals under equal conditions.

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

Ethical Rules and Working Principles have been determined and the relevant parties have been informed. In addition, all policies concerning the other shareholders and all stakeholders are disclosed to the public on the corporate website of the company.

As of the end of 2023, 83 white-collar employees were employed at Alarko Holding A.Ş. As of the same date, a total of 4,827 people, 1,873 white-collar employees, who are mostly engineers and architects, and 2,954 technicians and workers, were employed in the companies and institutions within the holding.

A total of 1,913 blue-collar employees in the Group Companies Alarko Carrier Sanayi ve Ticaret A.Ş., Meram Elektrik Dağıtım A.Ş. and Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş are organized under three different unions.

Alarko Holding carries out social responsibility activities, especially in the area of education, in order to create sustainable and lasting value for the society. It supports social development with education-oriented projects developed through various collaborations. Information about the company's contribution to the social development and welfare of the society can be found in the annual reports and on the corporate website.

### ***Sustainability;***

#### ***Sustainability Approach;***

Alarko Holding states that it sees sustainability concepts and practices as a tool for creating long-term value, therefore it tries to implement its long-term perspective by concretizing it with its strategic sustainability framework and long-term goals.

With its sustainability strategy, which it started working on in 2022, the company has determined the areas where it will create value in the long term, based on priority issues.

Alarko Holding defines its priority issues as "Planet," "People and Culture," and "Digital Transformation and Innovation."

#### **PLANET**

► To have net zero carbon emissions by 2050,

► To increase the investment in biodiversity and nature conservation efforts by 20% every year,

► To reduce water consumption across the Group by 50% by 2030,

#### **HUMAN AND CULTURE**

- ▶ To keep the unwanted employee turnover rate within 8-11%,
- ▶ To increase the rate of female members in the Board of Directors to 40%,
- ▶ To increase the employee engagement score by 20% by 2030,
- ▶ To triple social investment spending by 2030,

#### DIGITAL TRANSFORMATION AND INNOVATION

- ▶ To increase sustainability-oriented R&D and Innovation investments by 50% by 2030.

##### *Sustainability Governance Structure;*

Sustainability governance is carried out under the authority and responsibility of the Sustainability Committee within Alarko Holding. The Sustainability Committee reports directly to the Chief Executive Officer and meets four times a year with predetermined agenda items. Issues such as progress on sustainability targets, issues to be included in the investment agenda, and sustainability performances of group companies are monitored by the Committee and, when necessary, are conveyed to the Board of Directors through the Committee Chairman.

The coordination of the Sustainability Committee is ensured by the Investor Relations Director. Other members of the Committee are the People and Organization Group President, the Strategy and Business Development Group President, and the Information Technologies and Digital Transformation Group President.

Working Groups have been established to support the committee, facilitate the monitoring of annual performance within companies, and generate project ideas for improvements. Working Groups report to the Committee twice a year on the progress of the group companies, reporting to the relevant Group President in the Committee. The frequency of meeting of the Working

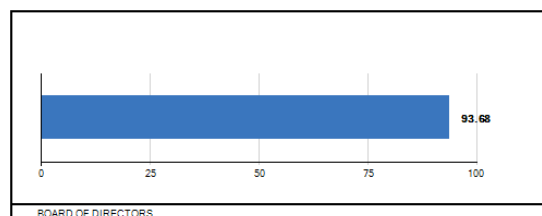
Groups is decided individually by each group, depending on the intensity of the issues that need to be reported and conveyed to the Committee.

Another element of the governance structure is the Sustainability Ambassadors, who consist of volunteers and come together to ensure cultural transformation in sustainability. Adopting a different learning and leadership approach, the community aims to impact sustainability-related issues throughout the organization and create long-term value through alternative perspectives and innovative solutions.

The company prepared a "Sustainability Report" for the first time in 2023 about its 2022 activities and disclosed it to the public on its corporate website. Alarko Holding's second sustainability report is scheduled to be shared at the beginning of December 2024.

The company discloses the "Sustainability Principles Compliance Report" in accordance with the voluntary sustainability principles compliance framework format specified in the Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" prepared by the Capital Markets Board and published in the Official Gazette No. 31262 on October 2, 2020, to the public in its annual activity reports.

- In the Board of Directors section, the rating of Alarko Holding was revised to **93.68**.



- The proper management of the process for appointing Independent Board Members and the confirmation that the information and documents related to the candidates were submitted to the Capital Markets Board within the timeframe specified

by the regulations are the reasons for the rating increase under this main heading.

In the interviews with the relevant officials and the examinations of some selected board decisions, it was determined that the board continues its work actively, effectively and regularly. It has been observed that the Board of Directors internalizes the corporate governance principles, adopts an open approach to improvement and development, and displays a proactive attitude.

The Board of Directors has described the corporate strategic objectives and determined necessary human and financial resources. The duties of the chairman of the board of directors and general manager are carried out by different persons, and the authorities of each are defined. The board of directors, consisting of 9 (nine) members, consists of 1 (one) executive and 8 (eight) non-executive members. 3 (three) of the non-executive members have the status of independent member.

There are 3 (three) female members on the Board of Directors. The rate of female members is 33.3%, and it complies with the "not less than 25%" criterion determined by the CMB as the rate of female members in the board of directors. In addition, the "Board of Directors Female Member Policy" created by the Board of Directors in 2022 is still in effect.

The Audit, the Corporate Governance and the Early Detection of Risk Committees, which are stated in the Principles, have been established. Separate Nomination and Remuneration Committees haven't been established because of the Board's structure. These duties are carried out by the Corporate Governance Committee as well. The duties, working principles and the members of the committees have been determined by the Board of Directors, approved as written documents, announced to the public and published on the corporate website of the company. The composition of all three committees complies with the criteria listed in the corporate governance principles. The

company's general manager has not been appointed within the committee structures. The duties, working principles and the members of the committees have been determined by the Board of Directors, approved as written documents, announced to the public and published on the corporate website of the company. When the method followed before the general assembly regarding the independent members of the board of directors is examined, it is understood that:

- The Nomination Committee prepares an evaluation report on the independence of the candidate for the election of independent members and submits it to the board of directors,
- The board of directors elects independent members within the framework of the nomination committee's report,
- The report prepared regarding the determined candidate is sent to the Capital Markets Board together with the candidate's resume, declarations of independence and the resolutions of the board of directors in time.

The Board of Directors held 43 meetings in 2023 and 12 meetings as of June 2024. Secretarial function of the Board is carried out by Mr. Alpaslan SERPEN (Strategy and Development Group President).

The Audit Committee held 4 (four) meetings in 2023 and as of the end of June 2024. The committee submitted reports on its activities to the Board of Directors 7 times in 2023 and 3 times as of June 2024.

The Corporate Governance Committee convened 2 (two) times in 2023 and 1 (one) time as of the end of June 2024. The Committee submitted reports on its work to the Board of Directors 5 (five) times in 2023 and once as of the end of June 2024.

The Early Detection of Risk Committee held 1 meeting in 2023 and 3 meetings as of the end of June 2024, reporting the outcomes of these meetings to the Board of Directors.

The secretarial function of the Audit and Early Detection of Risk Committees is carried out by Mr. Alpaslan SERPEN (Strategy and Business Development Group President), and the secretarial function of the Corporate Governance Committee is carried out by Mr. Özgür KALYONCU (Investor Relations Director).

In the examinations made on the documents, it was observed that the meeting records of both the Board and the Committees were kept regularly.

Remuneration Principles for the Members of the Board of Directors and Senior Executives have been determined and disclosed to the public on the Company's corporate website.

Remunerations and benefits given to the board of directors and directors with administrative responsibilities are not disclosed on an individual basis.

Damages caused by the faults of the members of the board of directors during their duties in the company are not insured.

Performance measurement criteria for the Board of Directors members have been established, and surveys are conducted annually. The 2023 performance evaluation was discussed during the Corporate Governance Committee meeting in November 2023, and the results were reviewed at the Board of Directors meeting held on April 1, 2024.

However, there is no practice of rewarding or dismissing the members of the board of directors based on their performance.

### 3. COMPANY PROFILE AND CHANGES OVER THE PAST YEAR

#### A. Company Profile:



<b>Company Name</b>	: <b>ALARKO HOLDİNG A.Ş.</b>
<b>Company Address</b>	: Muallim Naci Caddesi No:69 34347
<b>Company Phone</b>	: (0212) 227 5200 - (0212) 310 3300
<b>Company Fax Number</b>	: (0212) 260 7178 - (0212) 227 0427
<b>Company's Web Address</b>	: <a href="http://www.alarko.com.tr">www.alarko.com.tr</a>
<b>E-mail Address</b>	: <a href="mailto:info@alarko.com.tr">info@alarko.com.tr</a>
<b>Date of Incorporation</b>	: 16/12/1972
<b>Registered Number</b>	: 118376
<b>Paid-in Capital</b>	: 435,000,000 - TL
<b>The Company's Field of Activity</b>	: Portfolio Management.
<b>The Sector in Which It Operates</b>	: Financial Institutions / Holdings and Investment Companies

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

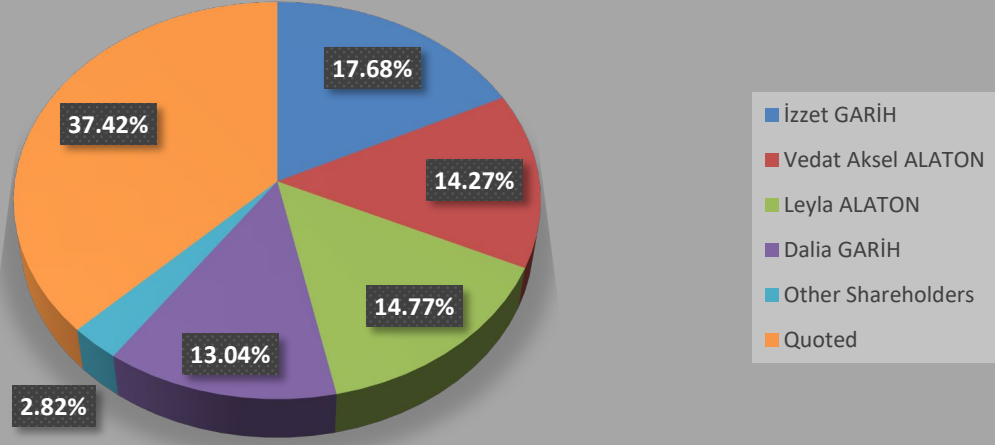
**Özgür KALYONCU**  
**Investor Relations Director**

[ozgur.kalyoncu@alarko.com.tr](mailto:ozgur.kalyoncu@alarko.com.tr)

**(0212) 310 3429**

**Shareholder Structure (as of the date of this report)**

**Company's Shareholding Structure**



Source: [www.alarko.com.tr](http://www.alarko.com.tr)

Shareholder Name	Share (TL)	%
İzzet GARIH	76,921,245.42	17.68
Vedat Aksel ALATON	62,076,560.51	14.27
Leyla ALATON	64,251,560.42	14.77
Dalia GARIH	56,728,008.65	13.04
Other Shareholders	12,247,729.62	2.82
Quoted	162,774,895.38	37.42
<b>Total</b>	<b>435,000,000.00</b>	<b>100.00</b>

Source: [www.alarko.com.tr](http://www.alarko.com.tr)

**Real Person Final Controlling Shareholders (as of report date)**

Shareholder Name	Share in Direct and Indirect Capital (TL)	Share in Direct and Indirect Capital (%)
İzzet GARIH	76,921,245.42	17.68
Vedat Aksel ALATON	62,076,560.51	14.27
Leyla ALATON	64,251,560.42	14.77
Dalia GARIH	56,728,008.65	13.04

Source: [www.alarko.com.tr](http://www.alarko.com.tr)

## Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
İzzet GARİH	Chairman	Non - Executive
Vedat Aksel ALATON	Deputy Chairman	Non - Executive
Ayhan YAVRUCU	Member of Board of Directors	Non - Executive
Niv GARİH	Member of Board of Directors	Non - Executive
Leyla ALATON	Member of Board of Directors	Non - Executive
Ümit Nuri YILDIZ	Member of the Board of Directors – Chairman of the Executive Board of the Community	Executive
İzzet Cemal KİŞMİR	Independent Member of Board of Directors	Non - Executive
Nihal MASHAKİ SEÇKİN	Independent Member of Board of Directors	Non - Executive
Lale ERGİN	Independent Member of Board of Directors	Non - Executive

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

## Committees Formed Within Board of Directors

### Corporate Governance Committee

Name Surname	Title	Duty
Nihal Mashaki SEÇKİN	Independent Member of Board of Directors	Chairman of The Committee
İzzet GARİH	Member of Board of Directors	Committee Member
Vedat Aksel ALATON	Member of Board of Directors	Committee Member
Özgür KALYONCU	Investor Relations Director	Committee Member

### Audit Committee

Name Surname	Title	Duty
İzzet Cemal KİŞMİR	Independent Member of Board of Directors	Chairman of The Committee
Nihal Mashaki SEÇKİN	Independent Member of Board of Directors	Committee Member

### Early Detection of Risk Committee

Name Surname	Title	Duty
Lale ERGİN	Independent Member of Board of Directors	Chairman of The Committee
İzzet GARİH	Member of Board of Directors	Committee Member
Vedat Aksel ALATON	Member of Board of Directors	Committee Member

**Senior Management of the Company**

Name/ Surname	Title
Ümit Nuri YILDIZ	Community Chief Executive Officer
Mehmet AHKEMOĞLU	Group President-Financial Affairs
Alpaslan SERPEN	Group President-Strategy and Business Development
Pınar YAMANER	Group President-People and Organization
Serkan DEMİR	Information Technologies and Digital Transformation
Edip İLKBAHAR	General Manager-Tourism
Erol UÇMAZBAŞ	General Manager - MEDAŞ
Ümit BORAN	General Manager-Contracting
Cem AKAN	General Manager-Industry and Trade
Hakan AYTEKİN	General Manager-ALTEK
Harun H. MORENO	General Manager-AGYO
İlker ARSLANARGUN	General Manager-MEPAŞ
Melike KOÇOĞLU	General Manager-Agriculture

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

**Comparison of some selected items of the Company's Balance Sheet for the last two year-end and six-month periods (Consolidated)**

	2022/12 (Thousand TL)	2023/06 (Thousand TL)	2023/12 (Thousand TL)	2024/6 (Thousand TL)	Change % (2022-2023)
Current Assets	14,786,673	10,782,129	15,705,122	18,282,529	6.21
Trade Receivables	2,679,146	2,024,944	2,928,846	4,323,166	9.32
Stocks	1,573,259	730,177	1,104,059	1,610,363	- 29.82
Fixed Assets	37,045,250	20,861,633	43,653,775	58,298,913	17.84
Total Assets	51,831,923	31,643,763	59,358,898	76,581,442	14.52
Short-Term Liabilities	12,322,880	9,020,835	13,165,434	17,342,910	6.84
Long-Term Liabilities	1,820,669	1,647,388	2,246,120	6,128,950	23.36
Paid-in Capital	435,000	435,000	435,000	435,000	-
Equity	37,688,374	20,975,539	43,947,343	53,109,583	16.61

Source: Alarko Holding A.Ş. Independent Auditor's Report for the Periods 01.01.2023 - 31.12.2023 and 01.01.2024-30.06.2024 (\*)

**Comparison of some items of the Company's Summary Income Statement for the year-ends of the last two years and six months periods (Consolidated)**

	2022/12 (Thousand TL)	2023/06 (Thousand TL)	2023/12 (Thousand TL)	2024/6 (Thousand TL)	Change % (2022-2023)
Revenue	12,271,876	3,203,695	8,296,228	4,097,513	- 32.39
Cost Of Sales	(10,611,929)	(2,858,894)	(7,608,084)	(3,674,626)	- 28.30
Operational Profit / Loss	1,992,873	1,682,002	2,656,370	352,234	33.33
Profit/Loss Before Tax	16,433,699	5,059,623	6,819,094	(1,087,788)	- 58.50
Profit/Loss for the Period	16,896,369	5,086,695	6,907,066	(1,220,557)	- 59.12
Earnings/(Loss) Per Share	38.479	11.437	15.408	(2.752)	-

Source: Alarko Holding A.Ş. Independent Auditor's Report for the Periods 01.01.2023 - 31.12.2023 and 01.01.2024 - 30.06.2024 (\*)



(\* ) The independent external audit company of the group declares that "the consolidated financial statements have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (TFRS) and the related annexes and interpretations, as enforced by the Public Oversight, Accounting, and Auditing Standards Authority (POA), pursuant to the provisions of the Capital Markets Board's Communiqué No. II, 14.1 on Principles of Financial Reporting in Capital Markets, published in the Official Gazette No. 28676 dated June 13, 2013." Additionally, "as per the announcement made by the Public Oversight, Accounting, and Auditing Standards Authority (ASA) on November 23, 2023, and the decision of the Capital Markets Board (CMB) dated December 28, 2023, No. 81/1820, issuers and capital market institutions preparing financial statements in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards are required to prepare their consolidated financial statements as of December 31, 2023, by applying the provisions of TAS 29 'Financial Reporting in Hyperinflationary Economies.' The consolidated financial statements of the group as of December 31, 2023, have been restated in accordance with TAS 29—Financial Reporting in Hyperinflationary Economies ('TAS 29')—to reflect changes in the general purchasing power of the functional currency. TAS 29 requires that consolidated financial statements prepared in the currency of a hyperinflationary economy be stated in the measuring unit current at the balance sheet date and that the previous period's consolidated financial statements be restated accordingly. Therefore, the group's consolidated financial statements as of December 31, 2022, have been restated to reflect purchasing power as of December 31, 2023." The consolidated balance sheet and profit/loss data we prepared have been subjected to comparison within the scope specified above.

#### **Subsidiaries, Financial Fixed Assets and Financial Investments**

Title of the Subsidiary Company	Line of Business	Paid in/Issued Capital	Direct Share (%)	Direct and Indirect Participation Share (%)
Alarko Carrier Sanayi ve Ticaret A.Ş.	Heating, Ventilation, Air Conditioning Pump Production and After-Sales Services	10,800,000 (TRY)	42.03	42.03
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	Complete Facility Commitment, Construction and Tourism	3,988,750,235.22 (TRY)	99.91	99.99
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	Real Estate Investment Trust	289,800,000 (TRY)	16.41	51.23
Al-Riva Projesi Arazi Değerlendirme Konut İnşaat ve Tic. A.Ş.	Housing, Construction	6,839,063.84 (TRY)	11.55	12.14
Al-Riva Arazi Değerlendirme Konut İnşaat ve Tic. A.Ş.	Housing, Construction	3,308,555.70 (TRY)	2.49	2.63
Al-Riva Arazi Değerlendirme Konut İnşaat Turistik Tesis. Golf İşl. ve Tic. A.Ş.	Housing, Construction and Touristic Facility Management	10,489,764.84 (TRY)	2.16	2.28
Tüm Tesisat ve İnşaat A.Ş.	Construction Works	250,000 (TRY)	71.32	71.88
Alarko Tarım Sanayi ve Ticaret A.Ş.	Agriculture, Food, Food Business and Technologies	850,000,000 (TRY)	100	100

Alarko Konut Projeleri Geliştirme A.Ş.	Real Estate Development, Construction, and Utilization	22,193,713 (TRY)	-	99.99
AO Mosalarko	Design, Construction and Use of Real Estate	30,000,000 (Rubles)	-	51.23
Meram Elektrik Dağıtım A.Ş.	Electric Energy Distribution	496,032,904.58 (TRY)	-	49.96
Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş.	Establishment, Transfer or Operation of Energy Distribution Facilities	214,560,000 (TRY)	-	49.96
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	Marketing of Industrial Products and After-Sales Services	230,000 (TRY)	88.68	100
Attaş Alarko Turistik Tesisler A.Ş.	Touristic Facility Management	21,500,000 (TRY)	0.46	99.99
Alen Alarko Enerji Ticaret A.Ş.	Purchase and Sale, Import and Export of Electrical Energy,	2,000,000 (TRY)	16.95	99.94
Altek Alarko Elektrik San. Tes. İşl. ve Tic. A.Ş	Electric Energy Generation	350,000,000 (TRY)	10.60	99.94
Aldem Alarko Konut İnşaat ve Ticaret A.Ş	Housing, Construction	5,000,000 (TRY)	100	100
Meram Elektrik Enerjisi Toptan Satış A.Ş.	Electric Energy Trading	4,050,000 (TRY)	0.1	49.96
Meram Elektrik Perakende Satış A.Ş.	Electric Energy Trading	13,545,520.42 (TRY)	-	49.96
Alyat Teknoloji Yatırımları Holding A.Ş	Activities of the Holding Companies	220,000,000 (TRY)	99.50	99.50
Alarko Enerji A.Ş.	Energy Generation	226,975,276.31 (TRY)	89.24	99.93
Cenal Elektrik Üretim A.Ş	Establishment and Operation of Electric Energy Plant	1,854,012,350 (TRY)	-	49.96
Bakad Investment & Operation LLP	Construction Works	65,759,065 (KZT)	-	33.30
Bakad International B.V.	Holding	154,211,309 (USD)	-	33.30
Alsim Alarko S.R.L.	Construction	240,000 (RON)	-	99.99
Saret KZ	Construction Works	600,000 (KZT)	-	100

Obrascon Huarte Lain SA – Alsim Alarko San.Tes.ve Ticaret A.Ş. Business Partnership	TCDD Ankara - Eskişehir High Speed Train Project	-	-	45
Alsera Jeotermal Tarım Gıda San. ve Tic. A.Ş.	Greenhouse Farming Based on Geothermal Energy	712,373,800 (TRY)	-	100
Alser Alarko Sermaye Yatırımları Holding A.Ş.	Activities of the Holding Companies	1,250,000,000 (TRY)	58.18	99.97
Palmira Agro Gübre San. ve Tic. A.Ş	Micro Granule Fertilizer Production	7,500,000 (TRY)	-	80
Albi Bitkisel İlaç Hammaddeleri Üretim San. ve Tic. A.Ş.	Herbal Medicine Raw Materials	1,000,000 (TRY)	-	100
Alarko Dijital Teknoloji Çözümleri A.Ş.	Information Technologies	10,000,000 (TRY)	100	100
Ultilek Bilgi Teknolojileri	Computer Programming Activities	10,000,000 (TRY)	-	49.96
Alarko Havacılık Endüstri Yatırımları A.Ş	Aviation and Aircraft Maintenance	350,000,000 (TRY)	100	100
Alarko Gübre Fabrikaları San. ve Tic. A.Ş	Fertilizer Production and Marketing	400,000,000 (TRY)	-	100
Alarko Gıda San. ve Tic. A.Ş	Food and Food Business	62,124,000 (TRY)	-	100
Genseed Tohum Islah ve Üretim A.Ş	Seed Breeding and Production	100,000 (TRY)	-	80
Sanrose Tarım San. Tic. A.Ş	Flower Greenhouse Production, Buying, Selling, and Marketing	60,000 (TRY)	-	25
Beybur Tarım ve Hayvancılık A.Ş	Agriculture	300,000,000 (TRY)	-	100
Nata Tarım Üretim ve Tic. A.Ş	Greenhouse Farming Based on Geothermal Energy	15,050,000 (TRY)	-	100
İpeks Jeotermal Enerji Tarım San. Tic. A.Ş	Greenhouse Farming Based on Geothermal Energy	3,000,000 (TRY)	-	49
Samdi Tarım Üretim ve Tic. A.Ş	Greenhouse Farming Based on Geothermal Energy	1,300,000 (TRY)	-	100
Jedi Tarım Üretim ve Tic. A.Ş	Greenhouse Farming Based on Geothermal Energy	1,300,000 (TRY)	-	100
			-	

Mekredi Tarım Üretim ve Tic. A.Ş	Greenhouse Farming Based on Geothermal Energy	50,000 (TRY)		100
TOO ALSERA K/Z	Agriculture	67,999,999.66 (KZT)	-	100
Alfor Aviation And Technical Services Ltd.	Aviation and Aircraft Maintenance	10,000 (GBP)	-	51
BARR Operation And Maintenance LLP	Highway Maintenance Operations	23,000,000 (KZT)	-	25
Seraf Tarım ve Hayvancılık A.Ş	Agriculture	16,500,000 (TRY)	-	100

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

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

**BIST Code** : ALARK

**Market where the Capital Market Instrument is Traded** : BIST STAR

**Indices in which it is included** : BIST 500 / BIST DIVIDEND / BIST 100 / BIST 50 / BIST FINANCIALS / BIST 30 / BIST STARS / BIST ISTANBUL / BIST BUYBACK / BIST ALL SHARES / BIST HOLD. AND INVESTMENT / BIST CORPORATE GOVERNANCE

**The Peak and Bottom Closing Values of the Company's Stock in the BIST in the Last One Year Period (25.09.2023-25.09.2024)**

<b>Bottom (TL)</b>	<b>Peak (TL)</b>
88.63 (25.07.2023)	144.00 (15.04.2024)

Source: Alarko Holding A.Ş.

## **B. Changes in the Company in the Last Year:**

### ***i. Changes in Capital and Articles of Association***

- At the Board of Directors meeting of Alarko Holding A.Ş. held on September 25, 2024, the decision regarding the registered capital ceiling and the Material Disclosure made on the same date are as follows:

"Alarko Holding A.Ş. Board of Directors has resolved the following:

1. To revise the Amendment Text concerning the amendment to the Articles of Association, which was approved by the Board of Directors' decision dated March 14, 2024, No. 929.

2. Since the permission for the registered capital ceiling granted by the Capital Markets Board will expire in 2024 after a 5-year period, to seek an extension and to increase the registered capital ceiling of the company from 500,000,000.00 TL to 2,000,000,000.00 TL and therefore, to reapply to the Capital Markets Board for approval in accordance with the Capital Markets Board's Communiqué No. II-18.1 on the Registered Capital System.

3. To amend Article 8 of the Company's Articles of Association as indicated in the attached Amendment Text in line with the regulations of the Capital Markets Board concerning the registered capital system and following the receipt of necessary approvals for the amendment to the Articles of Association, to present the revised registered capital ceiling for approval at the next General Assembly. The resolution was passed unanimously by those present.

Our company applied to the Capital Markets Board on 25.09.2024 regarding the increase and updating of the validity period of the current registered capital ceiling."

- At the Board of Directors meeting of Alarko Holding A.Ş. held on September 25, 2024, the decision regarding the amendment to the Articles of Association and the Material Disclosure made on the same date are as follows:

"Alarko Holding A.Ş. Board of Directors has resolved the following:

1. To revise the Amendment Text concerning the amendment to the Articles of Association, which was approved by the Board of Directors' decision dated March 14, 2024, No. 929.

2. Since the permission for the registered capital ceiling granted by the Capital Markets Board will expire in 2024 after a 5-year period, to seek an extension and to increase the registered capital ceiling of the company from 500,000,000.00 TL to 2,000,000,000.00 TL, and therefore, to reapply to the Capital Markets Board for approval in accordance with the Capital Markets Board's Communiqué No. II-18.1 on the Registered Capital System.

3. To amend Article 8 of the Company's Articles of Association as indicated in the attached Amendment Text in line with the regulations of the Capital Markets Board concerning the registered capital system and following the receipt of necessary approvals for the amendment to the Articles of Association, to present the revised registered capital ceiling for approval at the next General Assembly.

4. In accordance with the Amendment Text attached to this Board Resolution, to amend the following articles of the Company's Articles of Association:

- Articles 7, 8, 9, 17, 18, 24, 26, 27, 28, and 30.
- Articles 10, 11, 12, 13, 14, 15, 16, 19, 20, 21, 22, 23, 25, and 29, which had previously been stated as abrogated.
- Articles 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 66, and 67, as well as Articles 31, 45, 46, 47, and 65, which had previously been stated as abrogated, to be removed from the Articles of Association.

5. To obtain the necessary approvals from the Capital Markets Board regarding the amendment to the Articles of Association.

6. Upon receiving the approval of the Capital Markets Board, to apply to the Ministry of Trade and submit the amendment to the Articles of Association for approval at the next General Assembly. The resolution was passed unanimously by those present.

Our company applied to the Capital Markets Board on 25.09.2024 regarding the amendment to the Articles of Association."

**ii. Profit Distribution:**

- The Board of Directors' decision dated November 8, 2023, and the Material Disclosure made on the same date are as follows:

"Within the scope of the relevant provisions of our Company's Articles of Association, the Capital Markets Law No. 6362, the Capital Markets Board's Dividend Communiqué numbered II-19.1 and the Capital Markets Board's Dividend Guidelines, on the basis of the authority given to our Board of Directors by the shareholders at our Company's Ordinary General Assembly Meeting dated 29.05.2023;

It has been decided to distribute 'Dividend Advance' at the rate of 23% gross and 20.70% net per share as of 15.11.2023 to shareholders representing 435,000,000 TL capital, as 100,050,000 TL ("gross") of the remaining amount after deducting the reserve funds that must be set aside in accordance with the TCC and the articles of association, from the net profit for the period based on the interim financial statements dated 01.01.2023 - 30.09.2023

The net period profit of the shareholding is 9,190,499,480 TL and considering the period profit of 295,668,962 TL of non-controlling interests included in this amount, the net period profit of the parent company in the amount of 8,894,830,518 TL is taken as basis."

The Board of Directors' decision dated April 30, 2024, and the Material Disclosure made on the same date are as follows:

After allocating 281,745,307 TL for non-controlling shares and 46,773,053.67 TL for first-order general legal reserves in accordance with the Capital Markets Legislation, the Company's Articles of Association

and other legislative provisions, the remaining net profit for the period from the period profit of 6,907,066,467 TL in the consolidated financial statements of our company for 2023 is 6,578,548,106.33 TL.

- From the net profit for the period, after adding 4,381,540 TL in donations, an amount of 978,141,000 TL (gross), which corresponds to 14.85% of the total sum of 6,582,929,646.33 TL, will be set aside for distribution to shareholders as dividends.

- From the dividends to be distributed, the 556,800,000 TL (gross) interim dividend paid in cash in 2023 will be deducted, and the remaining 421,341,000 TL (gross) will be distributed to shareholders in cash as dividends.

- The necessary tax withholding will be applied to the portion of the dividends subject to withholding tax.

- The remaining amount will be added to extraordinary reserves.

- The dividend distribution will commence on May 30, 2024.

This proposal will be submitted to the General Assembly for approval, and it was unanimously decided."

The Board of Directors' dividend distribution proposal was discussed and approved as item 10 on the agenda at the Ordinary General Assembly held on May 27, 2024.

- According to the decision of the Company's Board of Directors dated June 14, 2024, and the Material Disclosure made on the same date:

"Based on the authority granted to the Board of Directors of Alarko Holding Anonim Şirketi by agenda item 13 at the Ordinary General Assembly meeting held on May 27, 2024, in accordance with the Company's Articles of Association and the relevant provisions of the Capital Markets Board's Dividend Communiqué No. II-19.1, it has been decided not to distribute an interim dividend for the accounting period of January 1, 2024 – March 31, 2024."

- According to the decision of the Company's Board of Directors dated September 26, 2024, and the Material Disclosure made on the same date:

"Based on the authority granted to the Board of Directors of Alarko Holding Anonim Şirketi by agenda item 13 at the Ordinary General Assembly meeting held on May 27, 2024, in accordance with the Company's Articles of Association and the relevant provisions of the Capital Markets Board's Dividend Communiqué No. II-19.1, it has been decided not to distribute an interim dividend for the accounting period of January 1, 2024 – June 30, 2024."

### **iii. Policies:**

During the reviewing period, there were no changes to the company's Dividend Distribution Policy, Remuneration Policy, Information Policy, Compensation Policy, Donation and Aid Policy, or other policies.

All policies were disclosed to the public on the corporate website of the company.

**iv. Management and Organization:**

Changes in the Company's senior management during the reviewing period;

After completing her term, Independent Board Member Ms. Neslihan TONBUL did not seek re-election, and Mr. İzzet Cemal KIŞMİR was nominated in her place. With the approval of the Board, he was appointed as an independent board member for a one-year term at the Ordinary General Assembly held on May 27, 2024.

Independent Board Members Ms. Nihal MASHAKİ SEÇKİN and Ms. Lale ERGİN were also nominated to continue in their roles for another year with the approval of the Capital Markets Board. This proposal was presented to the shareholders for approval at the Ordinary General Assembly held on May 27, 2024, and was accepted.

No other changes were made in the board of directors and senior management during the reviewing period.

**v. Changes in Group Companies, Subsidiaries and Affiliates:**

○ On January 10, 2024, it was decided by Alarko Havacılık Endüstri Yatırımları A.Ş., one of the subsidiaries, to purchase 51 shares representing 51% of the capital of Alfor Aviation and Technical Services Limited, which is registered with the Companies Registry of England and Wales, for a total price of 102 GBP.

○ On January 8, 2024, a share transfer agreement was signed by Alarko Tarım Sanayi ve Ticaret Anonim Şirketi, one of the subsidiaries, for the acquisition of 600 shares with a nominal value of 15,000 TL, representing 25% of the total capital of Sanrose Tarım Sanayi Ticaret Anonim Şirketi, whose main activities are agriculture and greenhouse operations. The shares were agreed to be purchased for a price of 5,000,000 USD in Turkish Lira, conditional upon the fulfillment of specified closing conditions. Following adjustments under the share transfer agreement, the final transfer price was determined to be 4,645,180 USD in Turkish Lira, and the advance payment of 1,500,000 USD in Turkish Lira was deducted from the final transfer price. Accordingly, as of January 15, 2024, the 600 shares with a nominal value of 15,000 TL, representing 25% of the total capital of Sanrose Tarım Sanayi Ticaret Anonim Şirketi, were transferred to Alarko Tarım Sanayi ve Ticaret Anonim Şirketi.

○ Alarko Holding A.Ş. Board of Directors has decided to establish a joint-stock company with a capital of 10,000,000 TL to operate in the information technology sector and to participate in this company with a contribution of 10,000,000 TL. The company has been established under the name "Alarko Dijital Teknoloji Çözümleri Anonim Şirketi." This was registered by the Istanbul Trade Registry Office and announced in the Turkish Trade Registry Gazette on January 17, 2024.

○ Alarko Holding A.Ş. Board of Directors decided on March 14, 2024, to increase the share capital of Aldem Alarko Konut İnşaat ve Ticaret A.Ş. ("Aldem Alarko"), a wholly-owned subsidiary, from 50,000 TL by 4,950,000 TL (i) of which 3,500,000 TL will be covered from the cash capital advance allocated by the Company to Aldem Alarko and (ii) 1,450,000 TL will be covered in cash, raising it to 5,000,000 TL



and to participate in the cash-increased portion with 1,450,000 TL, as well as to increase the share capital of Alarko Havacılık Endüstri Yatırımları A.Ş., another wholly-owned subsidiary, from 30,000,000 TL by 320,000,000 TL, raising it to 350,000,000 TL, and to participate in the cash-increased portion with 320,000,000 TL, and to increase the share capital of Tüm Tesisat ve İnşaat Anonim Şirketi from 141,000 TL to 250,000 TL by contributing 109,000 TL.

○ According to the decision of the Board of Directors of Alarko Tarım Sanayi ve Ticaret A.Ş. ("Alarko Tarım"), a subsidiary, dated March 26, 2024, Beybur Tarım ve Hayvancılık Anonim Şirketi ("Beybur Tarım"), which operates in the agricultural sector, decided to increase its capital from 50,000 TL to 300,000,000 TL, and it was decided to participate in this capital increase, with the committed capital amount of 299,950,000 TL to be covered from Alarko Tarım's cash receivables from Beybur Tarım, and for Alarko Tarım to acquire 299,950,000 shares with a nominal value of 299,950,000 TL, corresponding to 99.98% of Beybur Tarım's total capital after the increase. According to the new decision of Alarko Tarım's Board of Directors dated April 8, 2024, regarding the acquisition of this financial fixed asset, it was decided to acquire 50,000 shares, representing 100% of Beybur Tarım's existing capital of 50,000 TL, for 50,000 TL before participating in the capital increase. After the share transfer is completed, Alarko Tarım will participate in the planned capital increase, where Beybur Tarım intends to raise its capital from 50,000 TL to 300,000,000 TL. The committed capital amount of 299,950,000 TL will be covered from Alarko Tarım's cash receivables from Beybur Tarım, and Alarko Tarım will acquire 299,950,000 shares with a nominal value of 299,950,000 TL issued through the capital increase.

○ Considering the operational and legal ease that would result from companies operating in the greenhouse sector functioning under a single legal entity, it was decided that the subsidiaries, of which Alarko Tarım Sanayi ve Ticaret A.Ş. is the 100% shareholder—Antsan Tarım Sanayi ve Ticaret Anonim Şirketi, Gürlük Jeotermal Enerji Tarım Seracılık Gıda Sanayi ve Ticaret Anonim Şirketi, Hak Gayrimenkul Tarım Sanayi ve Ticaret Anonim Şirketi, Alurla Jeotermal Sağlık ve Turizm Anonim Şirketi, Alpark Jeotermal Sağlık Turizm ve Depoculuk Anonim Şirketi, Altas Seracılık Tarım Gıda Sanayi ve Ticaret Anonim Şirketi, Alziraat Jeotermal Tarım Gıda Sanayi ve Ticaret Anonim Şirketi, and Alden Jeotermal Tarım Gıda Sanayi ve Ticaret Anonim Şirketi—be merged in a simplified manner, transferring all their assets and liabilities as a whole to another subsidiary, Alsera Jeotermal Tarım Gıda Sanayi ve Ticaret Anonim Şirketi. This merger was announced in the Turkish Trade Registry Gazette dated April 17, 2024, No. 11064.

○ As of May 7, 2024, the company's subsidiary, Alarko Tarım Sanayi ve Ticaret Anonim Şirketi, acquired all 15,050,000 shares (100%) with a nominal value of 15,050,000.00 TL of NATA Tarım Üretim ve Ticaret Anonim Şirketi, whose main business is geothermal energy-based greenhouse operations, for a total price of 20,285,000.00 USD in Turkish Lira.

○ It was announced to the public on December 14, 2023, that a preliminary agreement ("Preliminary Protocol") had been signed by the subsidiary Alarko Tarım Sanayi ve Ticaret A.Ş. regarding the acquisition of a company operating in the agriculture and greenhouse sector. As a result of the agreement reached:

(i) To participate in the capital increase of İPEKS Jeotermal, which plans to raise its capital from 1,500,000 TL to 3,000,000 TL through a capital increase with share premium,

(ii) To acquire 1,470 shares with a nominal value of 1,470,000 TL, corresponding to 49% of İPEKS Jeotermal's total capital, for a total price of 298,470,000 TL, including a share premium of 297,000,000 TL,

(iii) To terminate the Preliminary Protocol and sign a participation agreement and a shareholders' agreement between Alarko Tarım Sanayi ve Ticaret A.Ş. and the current shareholder Lokman Aydemir regarding this matter.

İPEKS Jeotermal holds a right of easement, valid until March 27, 2043, for the purpose of constructing a geothermal-based technological greenhouse on a 265,007.24 m<sup>2</sup> property located in the Central district of Afyonkarahisar, registered in the name of the Treasury of Finance.

○ On August 6, 2024, Alarko Tarım Sanayi ve Ticaret Anonim Şirketi, a subsidiary of the company, acquired all 1,650 shares (100%) with a nominal value of 16,500,000.00 TL of SERAF Tarım ve Hayvancılık Anonim Şirketi, an agricultural company, for 500,000.00 USD in Turkish Lira.

Changes in the existing Group Companies, Associates, and Subsidiaries, as well as financial assets acquired during the reviewing period, are listed under the "*Subsidiaries, Financial Fixed Assets, and Financial Investments*" section on pages 16, 17, 18, and 19 of our report.



#### 4. 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.

In OECD Corporate Governance Principles, corporate governance is based on four basic principles, which 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 "comply or explain," 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.

It has been prepared by considering the criteria specified in the Corporate Governance Communiqué of the CMB, numbered II-17.1, published in the Official Gazette dated 03 January 2014 and numbered 28871, as well as the decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105.

In this analysis, the full compliance of workflow and analysis technique with KOBİRATE A.Ş.'s Ethical Rules is considered.

456 criteria are used in the rating process for BIST 1st Group Companies in order to measure the compliance of firms with corporate governance principles. These criteria are transformed into "Corporate Governance Rating Question Sets" through Kobirate A.Ş.'s 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 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.

**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>	The Company achieved substantial compliance with 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 is high. The 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.
<b>7-8.9</b>	The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are operational and in place, although some improvements are required. Potential risks to 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. The interests of the stakeholders are fairly considered. The 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.
<b>6-6.9</b>	The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at a 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 a need for improvement. The 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.

<b>GRADE</b>	<b>DEFINITIONS</b>
<p style="text-align: center;"><b>4-5.9</b></p>	<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, and the structure, as well as the working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
<p style="text-align: center;"><b>&lt; 4</b></p>	<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 to 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, such as 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>

