



Corporate Governance Compliance Rating Report

BATIÇİM

BATIÇİM Batı Anadolu Çimento Sanayii A.Ş.

29 July 2020

Validity Period 29.07.2020-29.07.2021

LIMITATIONS

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

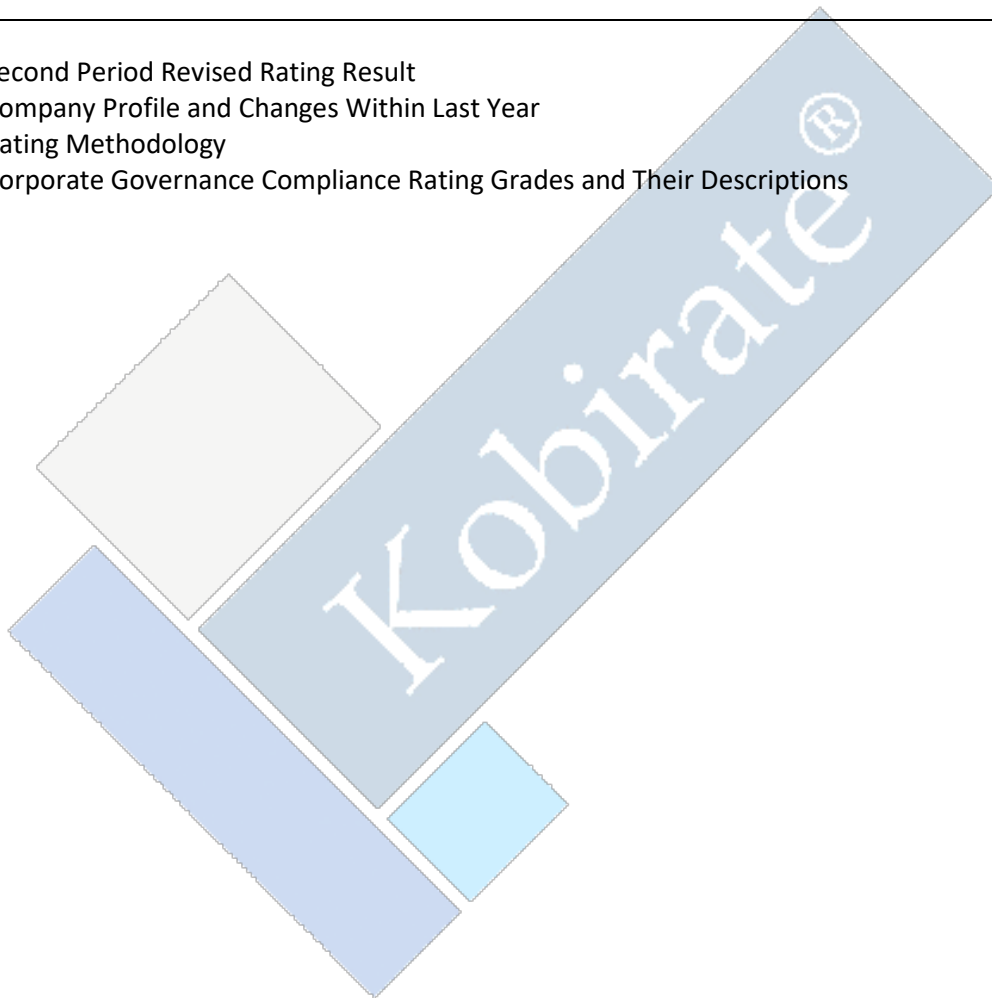
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

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.**

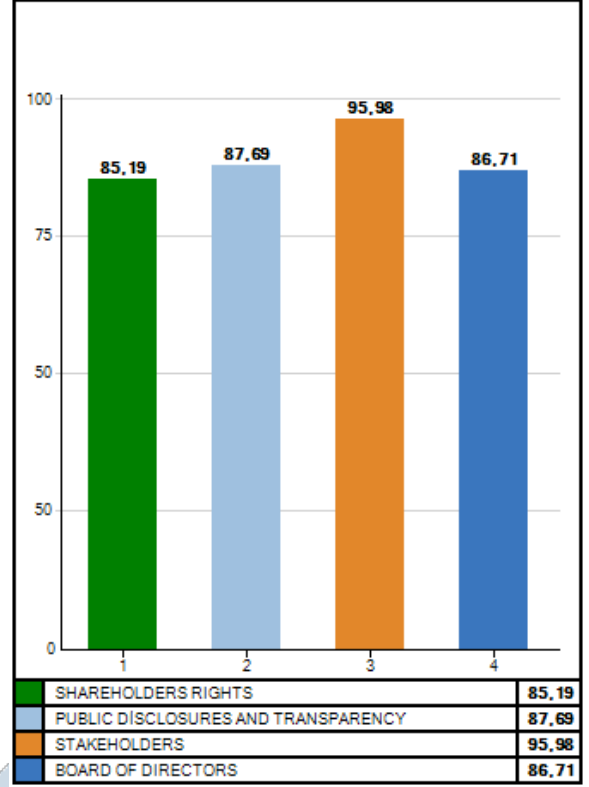
**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

8.80

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

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1. SECOND 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 09.01.2020, No 4/54, 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

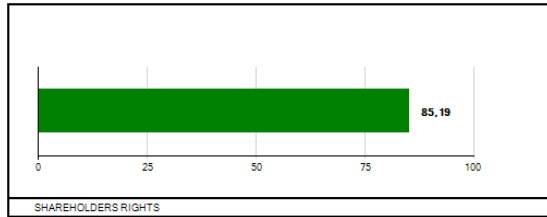
Hizmetleri A.Ş.'s methodology of "BIST 3rd Group Companies". At the end of examination of criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, Corporate Governance Compliance Rating Grade of Batıçım Batı Anadolu Çimento Sanayii A.Ş. has been revised as **8.80**.

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 principles, are expected.

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

▪ Batıçim's grade has been confirmed as **85.19** for the section of Shareholders.



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

Investor Relations Department is organized within the Department of Financial Affairs and reports directly to Board Member Mehmet Bülent EGELİ. 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 the same date and 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 2019 was discussed by the Board of Directors on 17.06.2020.

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.

The General Assembly meeting to discuss operations of 2019 took place on 24.07.2020. Invitation was done properly and 4 (four) weeks before the meeting through Turkish Trade Registry Gazette dated 25.06.2020, No 10105, Public Disclosure Platform and EGAS.

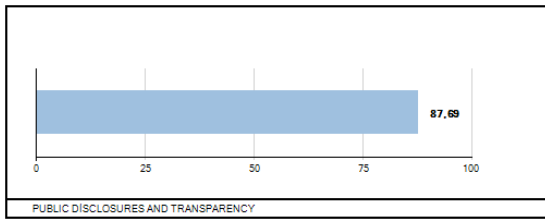
General Assembly document includes detailed information on distribution of company shares, voting rights and privileged votes. It also contains information that corporate governance principles require to be disclosed to shareholders and public.

At the General Assembly meeting, attending members of top management were Mehmet Mustafa BÜKEY (Chairman of Board of Directors), Tufan ÜNAL (Deputy Chairman of Board/Executive Board Member), Fatma Meltem GÜNEL (Member of Board), Sülün İLKİN (Member of Board), Mehmet Bülent EGELİ (Member of Board /Secretary General), Necip TERZİBAŞOĞLU (Member of Board /CEO), Feyyaz ÜNAL (Member of Board /Member of Executive Board), Kemal GREBENE (Member of Board), Begüm EGELİ BURSALIGİL (Member of Board), Şükrü Serdar BAĞCIOĞLU (Independent Member of Board), Mustafa Teoman GÜRGAN (Independent Member of Board), Mutlu Can GÜNEL (Member of Executive Board), Kamil GREBENE (Member of Executive Board), Volkan BÜKEY (Member of Executive Board), Sn. Yıldız EGELİ YAVUZ (Member of Executive Board), Sn. Adil ULUDAĞ (Financial Affairs and Accounting Manager / Member of Investor Relations Department) and Yeşim Devrim YALÇIN (Budget and Reporting Chief /

Investor Relations Department Manager). Representative of independent audit company Özge PALA also attended the meeting.

In 2019 the Company made a loss of (-) TRY 14,776,643 according to financial statements prepared in compliance with Tax Procedure Law and (-) TRY 181,873,877 according to consolidated financial statements prepared in accordance with CMB regulations. Board's recommendation for not distributing dividend was presented for the approval of shareholders at the Ordinary General Assembly meeting on 24.07.2020.

- Company's grade has been revised as **87.69** for the section of Public Disclosure and Transparency.



Company's activities during the global pandemic in the rating period and the fact that all stakeholders have been briefed rapidly and sufficiently about Company's activities and measures against the pandemic is the main reason for the grade increase in this section. A disclosure about the precautions taken and rules to comply was made on 27.03.2020 at Public Disclosure Platform.

It has been observed that Batıçim's public disclosure and transparency activities continue with the same sensitivity and efficiency.

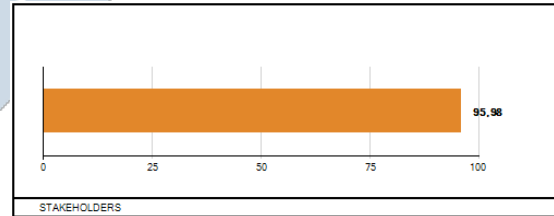
Responsible and authorized signatures for company's public statements are Mehmet Bülent EGELİ (Member of Board /Secretary General), Adil ULUDAĞ (Financial Affairs and Accounting Manager) and Yeşim Devrim YALÇIN (Investor Relations Department Manager/ Budget and Reporting Chief). These individuals are assigned to manage and

monitor all issues concerning public disclosures.

2019 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 the suggestion of Audit Committee and approval of general assembly, the same company was elected to conduct 2020 audit.

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 revised 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.

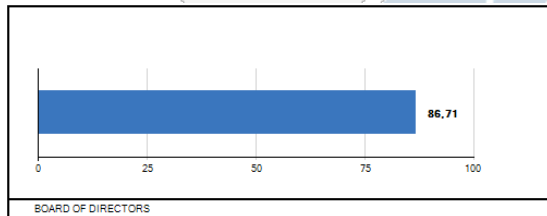
Procedures on recruitment, remuneration, health, leave rights, promotion, appointments, discipline, dismissal, death, resignation and retirement have been determined. It is our impression that the company sticks to these policies in practice. It is thought that the principle of equal opportunities for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

As of yearend 2019 Batıçim has a total of 416 employees (103 white collar and 313 blue collar). In the same period the Group had a total of 1,013 employees (210 white collar and 803 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 **86,71** for the section of Board of Directors.



Board's active and efficient attitude during the global pandemic is the main reason for the grade increase in this section.

Upon examination of Board of Directors Decision Book and interviews with Company officials, it has been determined that the Board continues its operations actively, efficiently and regularly.

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 30 (thirty) meetings in 2019 and 9 (nine) in 2020, as of June.

Audit Committee held 9 (nine) meetings in 2019 and 4 (four) meetings in 2020 as of June. Early Detection of Risk Committee held 6(six) meetings in 2019 and 2 (two) meetings in 2020 as of June. Corporate Governance Committee held 6 (six) meetings in 2019 and 5 (five) meetings in 2020 as of June. Committees have reported meeting results to the Board of Directors.

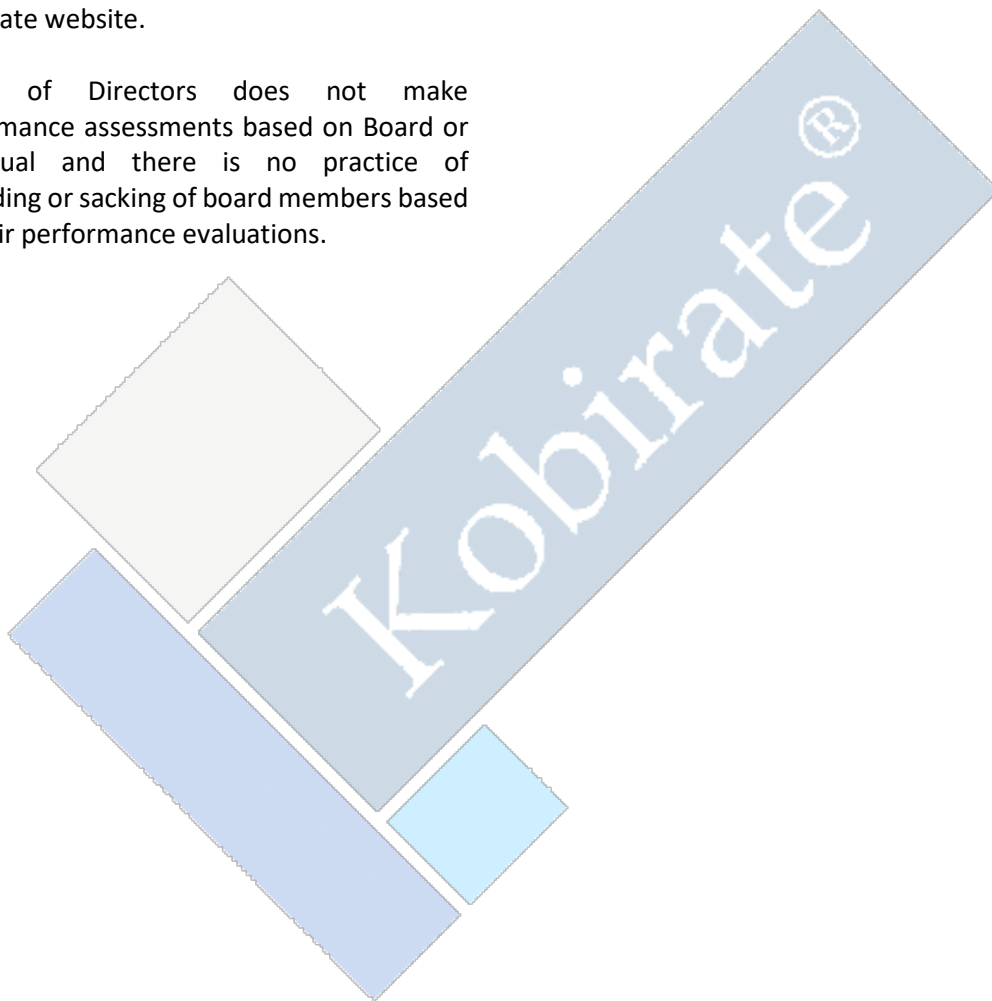
Secretarial function of the Board and the committees is carried out by Mehmet Bülent EGELİ, Board Member and Secretary – General (As of 29.07.2020 he he resigned

from his positions as Board Member and Secretary – General. No appointment has yet been made for these posts).

Manager Liability Insurance amounting to 25% of the capital against defects of Board Members duties have been made. The insurance covers all group companies. 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 based on 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 earth based production industry |

Company's Representative in Charge of Rating:

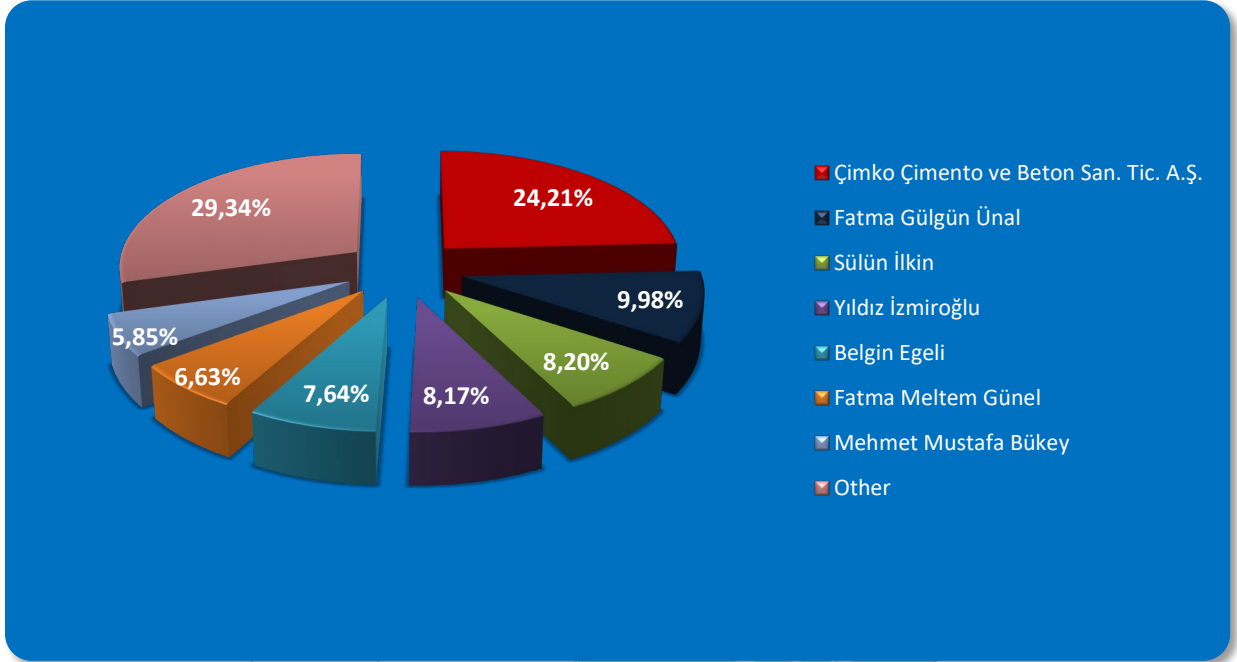
Yeşim Devrim YALÇIN

Investor Relations Department Manager

yesimyalcin@baticim.com.tr

0232 478 44 00

Shareholder Structure (as of date of this report)



Source: www.kap.org.tr

| Shareholder Name | Share (TL) | % |
|-------------------------------------|-----------------------|---------------|
| Çimko Çimento ve Beton San.Tic.A.Ş. | 43.572.337,03 | 24,21 |
| Fatma Gülgün ÜNAL | 17.955.965,50 | 9,98 |
| Sülün İLKİN | 14.750.524,17 | 8,20 |
| 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 | 52.806.966,25 | 29,33 |
| Total | 180.000.000,00 | 100,00 |

Source: www.baticim.com.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 | Production and sale of clinker and cement | 298.494.052,78 | 74,62 |
| Batıçim Enerji Elektrik Üretim A.Ş. | Production and sale of electricity | Production and sale of electricity | 83.975.000 | 69,98 |
| ASH Plus Yapı Malzemeleri San. Tic. A.Ş. | Production and sale of ash | Production and sale of ash | 125.000 | 100,00 |
| Batıbeton San. A.Ş. | Production and sale of ready mixed concrete | Production and sale of ready mixed concrete | 49.477.593,83 | 100,00 |
| Batılıman Liman İşl. A.Ş. | Port Management | Port Management | 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 |

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 | Yatırımcı İlişkileri Birim Yöneticisi |

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

| | 2018/12 | 2019/12 | Change % |
|------------------------|---------------|---------------|----------|
| Curent Assets | 393.689.869 | 466.314.450 | 18,45 |
| Fixed Assets | 2.015.927.346 | 1.963.616.582 | -2,59 |
| Total Assets | 2.409.617.215 | 2.429.931.032 | 0,84 |
| Short Term Liabilities | 582.390.745 | 647.306.435 | 11,15 |
| Long Term Liabilities | 839.163.869 | 1.030.267.428 | 22,77 |
| Equity | 988.062.601 | 752.357.169 | -23,86 |

Source: Batıçim Batı Anadolu Çimento San. A.Ş. 01.01.2019-31.12.2019 Annual Report, summary of financial statements prepared in accordance with CMB Serie II No: 14.1 Communiqué.

Profit / Loss Comparison of Some Items for Last Two Yearends

| | 2018/12 | 2019/12 | Change % |
|--------------------------------|--------------|---------------|----------|
| Revenue | 980.807.069 | 783.591.810 | -20,11 |
| Main Operational Profit / Loss | 190.959.370 | (84.111.929) | -144,05 |
| Operational Profit or Loss | (54.855.974) | (246.046.845) | -348,53 |
| Period Profit / Loss | (32.985.306) | (232.230.562) | -604,04 |

Source: Batıçim Batı Anadolu Çimento San. A.Ş. 01.01.2019-31.12.2019 Annual Report, summary of financial statements prepared in accordance with CMB Serie II No: 14.1 Communiqué.

Peak and Bottom Closing Values of Company shares traded at BIST between 21.07.2019-22.07.2020

| Bottom (TL) | Peak (TL) |
|---------------------|---------------------|
| 1,81.- (23.03.2020) | 4,41.- (21.07.2020) |

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

STAR MARKET - GROUP 2

BIST ALL / BIST STAR / BIST INDUSTRIAL / BIST İZMİR / BIST ALL-100 / BIST CORPORATE GOVERNANCE / BIST STONE, EARTH

Source: www.kap.org.tr

B. Changes within last year:

i. Changes in Capital and Articles of Association:

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

ii. Changes in Management and Organization

- At the Ordinary General Assembly meeting on 24.07.2020, Independent Members of Board Musa Levent ERTÖRER and Tankut KARABACAK left their positions as Members of Board, since their terms ended. They have been replaced by Şükrü Serdar BAĞCIOĞLU and Mustafa Teoman GÜRGAN.

- Member of Board Tufan ÜNAL left his position as Deputy Chairman of Board and Executive Member.

- Mehmet Bülent EGELİ, who was a Member of Board and Secretary General, has undertaken position Deputy Chairman of Board and left his position as Secretary General. No appointment for the position of Secretary General has been done as of the date of this report.

These changes in management were disclosed to the public through Material Event Disclosure dated 29.07.2020.

Changes in Board Committees can be seen on page 11 of this report.

iii. Dividend Distribution:

In 2019 the Company made a loss of (-) TRY 14,776,643 according to financial statements prepared in compliance with Tax Procedure Law and (-) TRY 181,873,877 according to consolidated financial statements prepared in accordance with CMB regulations. Board's recommendation for not distributing dividend was presented for the approval of shareholders at the Ordinary General Assembly meeting on 24.07.2020 and it was approved.

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 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 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> |

