



Corporate Governance Compliance Rating Report



Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

26 July 2021

Validity Period 26.07.2021-26.07.2022

LIMITATIONS

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

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

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette edition 28871 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 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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

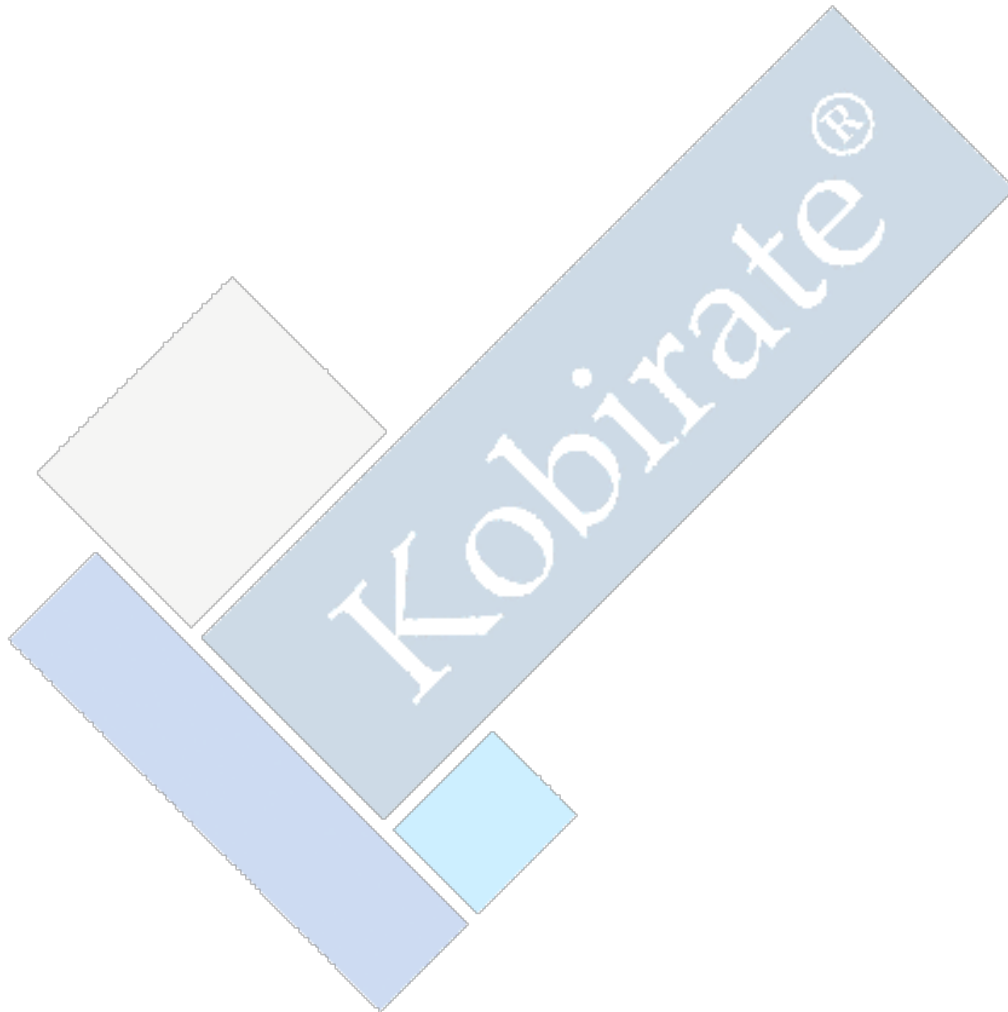
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose 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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EREĞLİ DEMİR VE ÇELİK FABRİKALARI TÜRK ANONİM ŞİRKETİ (ERDEMİR)

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

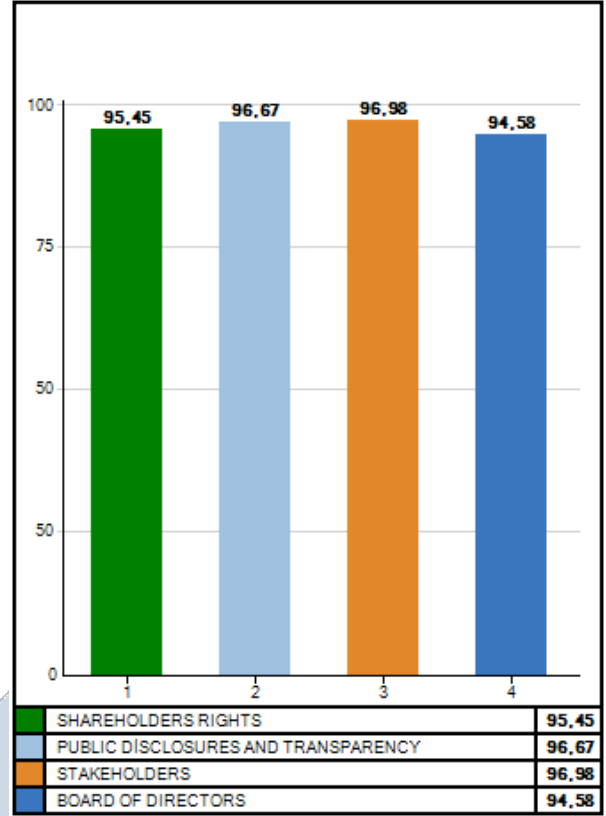
BIST FIRST GROUP

9.57

Kobirate Uluslararası Kredi Derecelendirme ve
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1. SEVENTH PERIOD REVISED RATING RESULT

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

According to CMB decision dated 21.01.2021, No. 4/97, ERDEMİR is on the list of BIST 1st Group Companies. At the end of examination of 408 criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, as specified in the CMB's Corporate Governance Principles, and according to the methodology of Kobirate A.S. for "BIST First Group Companies", the Corporate Governance Compliance Rating Grade of Erdemir has been revised as **9.57**.

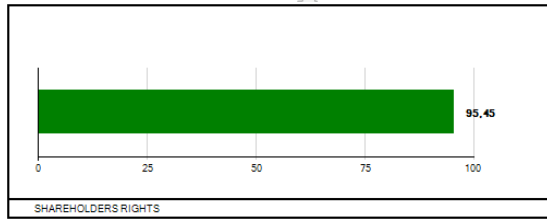
This result shows that the company has achieved compliance with CMB's Corporate Governance Principles to a great extent. Possible risks for the company have been determined and they can be controlled. Public disclosure activities and transparency are at

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

A look at Erdemir's activities within last one year reveals that the Company continued to develop its compliance with Corporate Governance Principles. It is also learned that during the rating period the Company acted in accordance with the procedure determined by public authority to fight the global Covid-19 pandemic.

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

▪ At the section of Shareholders, Erdemir's grade has been revised as **95.45**.



It has been observed that during the rating period the Company continued its activities to give information to shareholders and let them use basic rights of shareholders with the same sensitivity and effectiveness. It has been determined that Investor Relations Department's harmonious relationship with the Corporate Governance Committee has been effective in ensuring right and efficient exercise of shareholders' rights. This is the main reason for grade increase in this section.

Relations with shareholders are conducted through Investor Relations Department, which reports to Finance Management and Financial Affairs Group Vice President Mustafa Serdar BAŞOĞLU. İdil ÖNAY ERGİN (Manager) and Begüm OLGAC (Investor Relations Specialist) work in the department. İdil ÖNAY ERGİN and Begüm OLGAC have Licenses of Capital Market Activities Advanced Level and Corporate Governance Rating Specialist.

In accordance with CMB Corporate Governance Directive no II.17-1, Investor Relations Department Manager İdil ÖNAY has also been appointed as member of Corporate Governance Committee and it was disclosed to public with Material Event Disclosure, dated 04.09.2014.

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. It made 2 (two) presentations to the Board; one on 22.10.2020 (covering third quarter of 2020) and one on 11.02.2021 (covering 2020).

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.

General Assembly meeting to discuss activities of 2020 took place on 17.03.2021. Invitation was made on 17.03.2021 through Public Disclosure Platform, Central Registration Office e – general assembly system, Turkish Trade Registry Gazette dated 17.02.2021, No 10269. Decision for the first meeting, its cancellation, invitations for both meetings and other processes were carried out in accordance with procedures. The invitation was made at least 3 (three) weeks before the date of meeting as required by the principles.

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

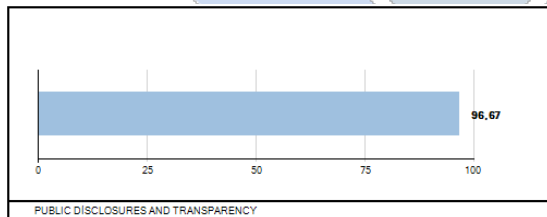
Executives and auditors who are authorized to brief participants on special subjects and answer their questions have attended to the meeting. Attending top managers were;

Aslıhan DÖĞER (Deputy Chairman of Board and Executive Board Member), Güliz KAYA (Board Member), Salih Cem ORAL (Erdemir General Manager), Mustafa Serdar BAŞOĞLU (Finance Management and Financial Affairs Group Vice President), Ulaş YİRMİBEŞ (Financial Control and Reporting Director), Kemal Haluk ERUYGUR (OYAK Legal Advisor), Buğra ELDELEKLİ (Legal Director), Ferhat GÖÇ (Deputy Assistant General Manager for Financial Affairs and Purchasing Director), İdil ÖNAY ERGİN (Investor Relations Manager) and Mustafa GÖK (Representative of Independent Audit Company).

According to financial statements prepared in compliance with Tax Procedure Law the Company earned TRY 2,948,251,490 net distributable profit from its activities in 2020. According to consolidated financial statements prepared in accordance with CMB regulations, the Company made TRY 3,309,093,452 net distributable profit. The use of the profit is explained at “ii. Dividend Distribution” section of our report.

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

▪ In the section of Public Disclosure and Transparency, Company’s grade has been confirmed as **96.67**.



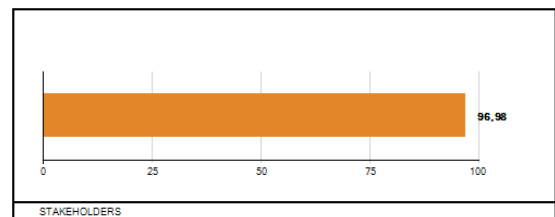
It has been determined that Erdemir’s public disclosure and transparency activities are in line with legal regulations and corporate governance principles. The content of annual reports is satisfactory and includes sufficient information about activities. Company’s corporate website contains all the information and documents of last five (5) years that public, investors and authorities

want to have access to. Corporate website is designed as easy – to – use and easy – to – access structure. It has been seen that the corporate website and annual reports are used efficiently for public disclosures.

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

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

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



It is understood that during the rating period Erdemir Group conducted the fight against global Covid-19 pandemic in compliance with the procedure determined by the public authority. Starting with the employees,

interns, visitors, suppliers, contractors and all other stakeholders were briefed about the precautions and processes.

Erdemir has been preparing comprehensive Sustainability Reports every year since 2014. 2020 Sustainability Report has been presented within Integrated Annual Report, which is published on Company's corporate website. The Company has been on BIST Sustainability Index since November 2015 - October 2016 period.

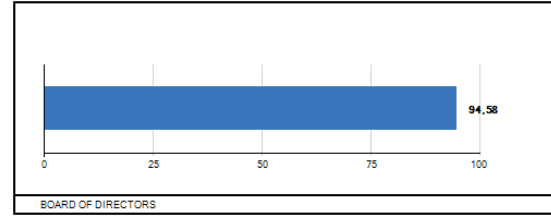
Compensation Policy for employees has been developed and disclosed to public via corporate website.

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

Ethical Rules and Working Principles have been prepared and are updated whenever necessary. Anti-Corruption Policy has been prepared and disclosed to public through Company's corporate website.

As of 31.12.2020, Erdemir employed 5,740 employees (1,739 of them with monthly fees and 4,001 with hourly fees). Blue collar employees are organized under the roof of Türk Metal Union. Agreement has been achieved between the Company and the union for 28th Period Labor Contract, which is valid for two years starting from 23.12.2020.

▪ In the section of Board of Directors Erdemir's grade has been revised as **94.58**.



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

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

Audit, Corporate Governance and Early Detection of Risk Committees, which are referred to by the principles are established. Separate Nomination Committee and Remuneration Committee have not been established because of Board's structure. Duties of these committees are carried out by Corporate Governance Committee. Mandates, working rules and membership composition for all three committees have been determined, approved as written documents and disclosed to public on the corporate website. All members of three Committees are independent members of Board of Directors. Additionally Manager of Investor Relations Department has been appointed to membership of Corporate Governance Committee In accordance with CMB Corporate Governance Communiqué number II.17-1. General Manager has not

been assigned to any committees within this structure.

Independent Member of Board Yunus ARINCI, who has been a board member since 31.03.2016, resigned his position in the Board and committees as of 17.07.2020. Mahmut Cengiz AYDIN was appointed as Independent Member of Board as of 05.02.2021 and this appointment was presented to shareholders for approval at General Assembly meeting on 17.03.2021. Examination of this process and the method used to deal with other independent board members whose 1 (one) year term has expired shows that the Company has taken following steps:

- Nomination Committee prepared an assessment report on candidate's independence and presented it to the Board.
- The Board elected independent member within the framework of this report.
- The report about the candidate that was sent to the Board included candidate's CV, independence declarations and relevant Board decisions. It is seen that this process has been managed right.

Active and efficient role played by the Corporate Governance Committee at each of these steps is the basic reason for grade increase in this section.

Board of Directors convened 6 (six) times in 2020 and twice (2) as of May 2021. Board assistant Suzan MERT carries out secretarial duties.

Audit Committee convened 4 (four) times in 2020 and 2 (twice) by the end of May 2021. In the same period the Committee has made 6 (six) presentations about its activities to the Board of Directors in parallel to the number of its meetings. Financial Control and Reporting Director Ulaş YİRMİBEŞ carries out secretarial duties of the Committee.

Corporate Governance Committee convened 6 (six) times in 2020 and 2 (twice) by the end of May 2021. The Committee has made 3

(three) presentations in 2020 and 1 (one) by the end of May 2021 to the Board of Directors about its activities. Investor Relations Manager İdil ÖNAY ERGİN carries out secretarial duties of the Committee.

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

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

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

Manager Liability Insurance against defects of Board Members duties has been made. As the value of policy corresponded to about 9 % of Company's capital in 2020, no disclosure has been made to the Public Disclosure Platform.

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

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:



Company Name	: EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş
Company Address	: Head Office Barbaros Mahallesi Ardıç Sok. No:6 Ataşehir / İstanbul Ereğli Plant Uzunkum Caddesi No: 7 67330 Kdz. Ereğli/ZONGULDAK
Company Phone	: (0216) 578 8000
Company Facsimile	: (0216) 469 4810
Company's Web Address	: www.erdemir.com.tr www.erdemirgrubu.com.tr
E-Mail Address	: iletisim@erdemir.com.tr investorrelations@erdemir.com.tr
Date of Incorporation	: 11 May 1960
Registered Number	: 863637
Paid in Capital	: TRY 3.500.000.000
Line of Business	: Iron and steel roll products of all types, sizes and qualities, alloyed or pure iron, steel and iron casts, cast and pressed products and businesses stated in the Articles of Association.
Company's Sector	: Production industry / Metal Main Industry.

Company's Representative in Charge of Rating:

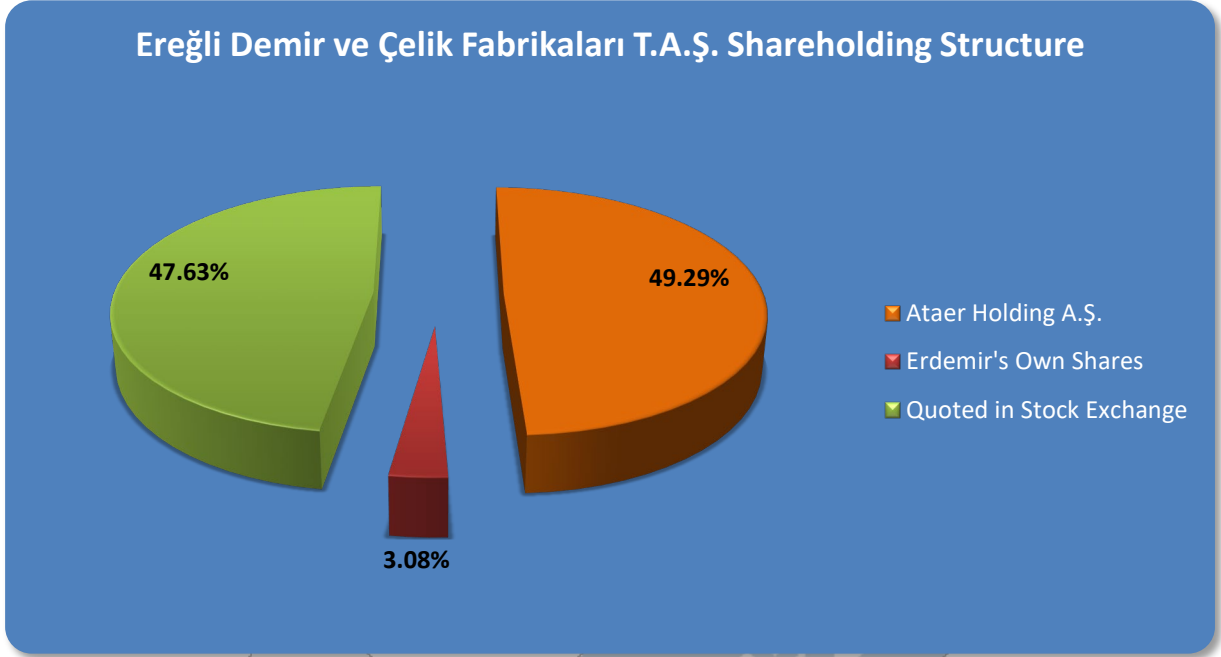
İdil ÖNAY ERGİN

Investor Relations Manager

ionay@erdemir.com.tr

(0216) 578 8061

Company's Shareholder Structure (as of the report date)



Source: Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

Name of Shareholder	Share (000 TL)	Share (%)
ATAER Holding A.Ş.*	1.724.982.-	49,29
Quoted in Stock Exchange	1.667.181.-	47,63
Erdemir Portfolio	107.837.-	3,08
Total	3.500.000.-	100,00

Source: Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

* The main shareholder of the company is ATAER Holding A.Ş and its ultimate main shareholder is Turkish Armed Forces Assistance Fund (OYAK).

Board of Directors

Name / Surname	Title	Executive/ Non - Executive
OYTAŞ İç ve Dış Ticaret A.Ş. (Representative: Süleyman Savaş ERDEM)	Chairman of Board of Directors	Non - Executive
OMSAN Lojistik A.Ş. (Representative: Aslıhan DÖĞER)	Member of Board - Executive Director	Executive
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Representative: Gürtan DAMAR)	Member of Board - Executive Director	Executive
T.C Hazine ve Maliye Bakanlığı ÖİB (Representative: Bekir Emre HAYKIR)	Member of Board	Non - Executive
OYKA Kâğıt Ambalaj San ve Tic. A.Ş. (Representative: Baran ÇELİK)	Member of Board	Non - Executive
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Representative: Güliz KAYA)	Member of Board	Non - Executive
Ali FİDAN	Independent Member of Board of Directors & Chairman of Early Detection of Risk Committee, Member of Audit Committee	Non - Executive
Kurtuluş Bedri VAROĞLU	Independent Member of Board of Directors & Chairman of Corporate Governance Committee, Member of Early Detection of Risk Committee	Non - Executive
Mahmut Cengiz AYDIN	Independent Member of Board of Directors & Chairman of Audit Committee, Member of Corporate Governance Committee	Non - Executive

Source: www.kap.org.tr

Committees of Board of Directors:

Corporate Governance Committee

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

Audit Committee

Name Surname	Title	Position
Mahmut Cengiz AYDIN	Independent Member of Board	Committee Chairman
Ali FİDAN	Independent Member of Board	Committee Member

Early Detection of Risk Committee

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

Top Management

Name / Surname	Title
Salih Cem ORAL	ERDEMİR General Manager
Fatih ÇITAK	Marketing and Sales Group Vice President
İsmail Kürşat KORKMAZ	Purchasing Group Vice President
Mustafa Serdar BAŞOĞLU	Finance Management and Financial Affairs Group Vice President
Ercan KAYA	Corporate Architecture and HR Group Vice President
Can ÖRÜNG	Information Technologies Group Vice President
Ural DURUSU	Executive Vice President/ Operations
Ferat GÖÇ	Executive Vice President/ Financial Affairs (Act.) and Procurement Manager (Act.)

Source www.kap.org.tr

Balance-Sheet Comparison of Company's Certain Selected Items for yearends of last two years (Consolidated)

	2019/12 (000 TL)	2019/12 (000 USD)	2020/12 (000 TL)	2020/12 (000 USD)	Change % (TRY)
Current Assets	24.136.704	4.063.282	28.507.242	3.883.556	18,11
Commercial Receivables	3.344.177	562.973	3.827.829	521.467	14,46
Inventory	9.329.163	1.570.513	10.106.678	1.376.838	8,33
Fixed Assets	22.535.921	3.793.798	29.486.670	4.016.984	30,84
Total Assets	46.672.625	7.857.080	57.993.912	7.900.540	24,26
Short Term Liabilities	9.450.454	1.590.932	9.434.112	1.285.214	-0,17
Long Term Liabilities	5.974.696	1.005.807	7.438.224	1.013.313	24,50
Paid in Capital	3.500.000	1.818.371	3.500.000	1.818.371	-
Equity	31.247.475	5.260.341	41.121.576	5.602.013	31,60

Source: Erdemir Group Independent Audit Report 31.12.2020

Income Comparison of Company's Certain Selected Items for yearends of last two years (Consolidated)

	2019/12 (000 TL)	2019/12 (000 USD)	2020/12 (000 TL)	2020/12 (000 USD)	Change % (TRY)
Revenue	27.465.185	4.844.375	32.048.029	4.574.696	16,69
Cost of Sales	(22.454.025)	(3.960.495)	(26.123.431)	(3.728.989)	16,34
Operational Profit/Loss	4.378.290	772.254	5.573.200	795.547	27,29
Profit/Loss Before Tax	5.067.384	881.813	5.657.525	793.564	11,65
Period Profit/Loss	3.494.207	616.317	3.509.790	501.005	0,45

Source: Erdemir Grubu Independent Audit Report 31.12.2020

Subsidiaries within the Scope of Consolidation

COMPANY NAME	LINE OF BUSINESS	SHARE %
İskenderun Demir ve Çelik A.Ş.(*)	Integrated Steel Production	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Iron Ore, Pelet	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Steel Service Center	100,00
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Management and Consultancy	100,00
Erdemir Romania S.R.L. (**)	Silicon Steel Production	100,00
Erdemir Asia Pacific Private Limited(***)	Trading	100,00
Erdemir Enerji Üretimi A.Ş.	Renewable Energy Production	100,00
İsdemir Linde Gaz Ortaklığı A.Ş.	Industrial Gas Production and Sale	47,44
Kümaş Manyezit Sanayi A.Ş.	Industrial Products	100,00

Source: www.kap.org.tr

(*) Company's shares have been dematerialized at Central Registry Office and they have been quoted at Pre – market Transaction Platform under process code "ISDMR" on 28.03.2016. It was quoted in Star Market on 19.04.2018.

(**) The Company operates in Romania.

(***) The Company operates in Singapore

- Group's financial data can be found in the section above.
- Erdemir Group employs a total of 11,538 employees (3,970 with monthly fees and 7, 568 with hourly fees) as of 31.12.2020.

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

- PRECISE BUYING SELLING MARKET-(AMONG QUALIFIED INVESTORS) / STAR MARKET
- BIST NON BANK LIQUID 10 / BIST 50 / BIST 100 / BIST DIVIDEND 25 / BIST METAL MAIN / BIST INDUSTRIAL / BIST 30 / BIST CORPORATE GOVERNANCE / BIST DIVIDEND / BIST SUSTAINABILITY (*) / BIST STAR

(*) In 2015, 2016, 2017, 2018, 2019 and 2020 Ereğli Demir ve Çelik Fabrikaları T.A.Ş. joined Sustainability Index, where high performance listed companies are put in, after measurement of companies' corporate sustainability performances.

The Bottom and Peak Closing Values of Company's Shares traded on the BIST within last year (14.07.2020-14.07.2021)

Bottom (TL)	Peak (TL)
7,64- (30.07.2020)	20,44- (10.05.2021)

Source: Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

Changes within Last Year:

i. Changes in Capital and Articles of Association:

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

ii. Dividend Distribution:

Company's Board of Directors took the following decision about the distribution of 2020 net period profit at its meeting dated 11.02.2021, No 9750;

"As a result of 2020 activities our Company earned TRY 2,948,251,490 net period profit, according to financial statements prepared in compliance with Tax Procedure Law, and TRY 3,309,093,452 net period profit, according to financial statements prepared in compliance with articles of CMB Communiqué No 11.14.1. It was decided to present following recommendations to the approval of General Assembly at the Ordinary General Assembly meeting:

- In line with Article 519 of the Turkish Commercial Code and provisions of Capital Markets Board, as 20 % limit of paid in capital has been reached, 5% of net profit of the year - which was on financial statements of 2019, prepared in accordance with provisions of the Tax Procedure Law - will not be allocated as general legal reserve fund,
- Shareholder profit share of TRY 3,024,175,865 (ratio 91.389860%) in cash will be allocated from the net distributable profit calculated on 2020 financial statements prepared in compliance with CMB regulations,
- Since the allocated amount of cash profit share exceeds 5% of Company's paid in capital, TRY 284,917,587, which is the exceeding part of this amount will be allocated as general legal reserve fund in line with the second paragraph, clause (c) of Article 519 of Turkish Commercial Code,
- After allocating TRY 345,082,414 as secondary legal reserve from a total of TRY 3,795,906,549 (to be paid from extraordinary reserves within other resources that are envisaged to be distributed), the remaining amount of TRY 3,450,824,135 (TRY 83,575,406 of this amount is income within the scope of tax cut in accordance with the provisional 61st item of Income Tax Code) will be distributed as additional cash dividend,
- Total of TRY 6,475,000,000 profit share (TRY 3,024,175,865 first profit share and TRY 3,450,824,135 second profit share from other additional resources that are envisaged to be distributed) will be distributed to shareholders,
- Dividend distribution will be made as lump sum in March 2021."

Board's recommendation on dividend distribution was discussed at the Ordinary General Assembly meeting on 17.03.2021 as the 8th item of the agenda and approved.

iii. Policies:

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

iv. Management and Organization:

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

- At the Ordinary General Assembly meeting on 17.03.2021, Ali FİDAN, Kurtuluş Bedri VAROĞLU and Mahmut Cengiz AYDIN were elected as Independent Board Members for one year.
- Since the term of Toker ÖZCAN, Board Deputy Chairperson and Executive Member, Representative of OYAK Pazarlama Hizmet ve Turizm A.Ş., has expired, the Board of Directors took the decision dated 23.02. 2021, No: 9754, to replace him with Gürtan DAMAR and to make DAMAR’s trade registry and to publish this appointment on Turkish Trade Registry Gazettee.
- With its decision dated 23.02.2021, No: 9755, the Board of Directors has decided to empower Board Member OMSAN Lojistik A.Ş. (represented by Aslıhan DÖĞER) as “Executive Member, to cancel OYAK Pazarlama Hizmet ve Turizm A.Ş.’s (represented by Gürtan DAMAR) position as Deputy Chairperson, to appoint OMSAN Lojistik A.Ş. (represented by Aslıhan DÖĞER) as Deputy Chairperson, to continue with OYTAŞ İç ve Dış Ticaret A.Ş. (represented by Süleyman Savaş ERDEM) as Chairperson, to register these developments into trade record and to announce them on Turkish Trade Registry Gazette.
- With its decision dated 17.03.2021, No: 9764, the Board of Directors has finalized the distribution of roles within the Board for one year; it was decided to elect Board Member OYTAŞ İç ve Dış Ticaret A.Ş. (represented by Süleyman Savaş ERDEM) as the Chairperson of Board, to elect Board Member OMSAN Lojistik A.Ş.’nin (represented by Aslıhan DÖĞER) as Deputy Chairperson, to empower Deputy Chairperson OMSAN Lojistik A.Ş. (represented by Aslıhan DÖĞER) and Board Member OYAK Pazarlama Hizmet ve Turizm A.Ş. (represented by Gürtan DAMAR) as “Executive Member”, to register these developments into trade record and to announce them on Turkish Trade Registry Gazette.
- Financial Management and Financial Affairs Group Vice President İbrahim Emrah SİLAV’s appointment ended as of 24.09.2020 and he was replaced by Mustafa Serdar BAŞOĞLU on the same date.

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

- There are no changes in current Group Companies, Affiliated Companies and Subsidiaries.
- Material Event Disclosure dated 09.11.2020;

“Company executives were authorized by the Company to initiate negotiations with Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. to buy the shares of Kümaş Manyezit Sanayi A.Ş., market leader of Turkey's refractory industry.”

- Material Event Disclosure dated 04.01.2021;

“According to the decision of our Company's Board of Directors;

- It was decided to purchase of all shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) in accordance with the provisions of the Share Transfer Agreement to be signed, in cash and in lump sum, by our Company for an operating value of 340 million (three hundred forty million) USD and to transfer the shares of the company over the share price to be calculated by taking into account the net debt amount and net working capital on the date of transfer, after obtaining the relevant legal approvals.

- Regarding the acquisition of shares, it was decided to authorize the Company executives to carry out all the necessary works and transactions, including the signing of the Share Transfer Agreement, to sign contracts, to make the necessary applications to the official authorities, and to give power of attorney.

Share Transfer Agreement was signed between our Company and Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. on 4 January 2021.”

- Material Event Disclosure dated 03.02.2021;

“It was announced in KAP material event disclosure by our Company on 04.01.2021 that according to the decision of our Company's Board of Directors, Share Transfer Agreement was signed between our Company and Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. to purchase (transaction) of all shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) and the share transfer of Kümaş Manyezit Sanayi A.Ş. would be realized over the share price to be calculated by taking into account the net debt amount and net working capital on the date of transfer, after obtaining the relevant legal approvals.

Transfer of shares representing 100% of total capital of Kümaş Manyezit Sanayi A.Ş. was realized on 03.02.2021 with total amount of USD 296,979,916 after considering the net debt amount and net working capital over an operating value of USD 340,000,000.”

- Material Event Disclosure dated 10.05.2021;

“It was announced in KAP material event disclosure by our Company on 03.02.2021 that transfer of shares representing 100% of total capital of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) from Yıldız Holding A.Ş. ve Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. to our Company, was realized with total amount of USD 296,979,916 after considering the net debt amount and net working capital over an operating value of USD 340,000,000.

Share price dated 03.02.2021, has been subjected to the final adjustment according to the financial statements prepared as of the date of transfer, and as a result of the adjustment, the final share value has been USD 295,943,244.

In contradiction between the Turkish and English versions of this public disclosure, the Turkish version shall prevail.”

3. RATING METHODOLOGY

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

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

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

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

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

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

Turkey has been closely monitoring these developments. A working group, established

within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

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

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

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

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

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

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

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

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

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

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

Compliance Rating Methodology are also considered as part of the remaining 15 % and affect the company's grade.

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

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

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

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

