



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



***Ereğli Demir ve Çelik Fabrikaları T.A.Ş.***

26 July 2022

Validity Period 26.07.2022-26.07.2023

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Ereğli Demir ve Çelik Fabrikaları T.A.Ş;

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.

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](http://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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EREĞLİ DEMİR VE ÇELİK FABRİKALARI  
TÜRK ANONİM ŞİRKETİ (ERDEMİR)

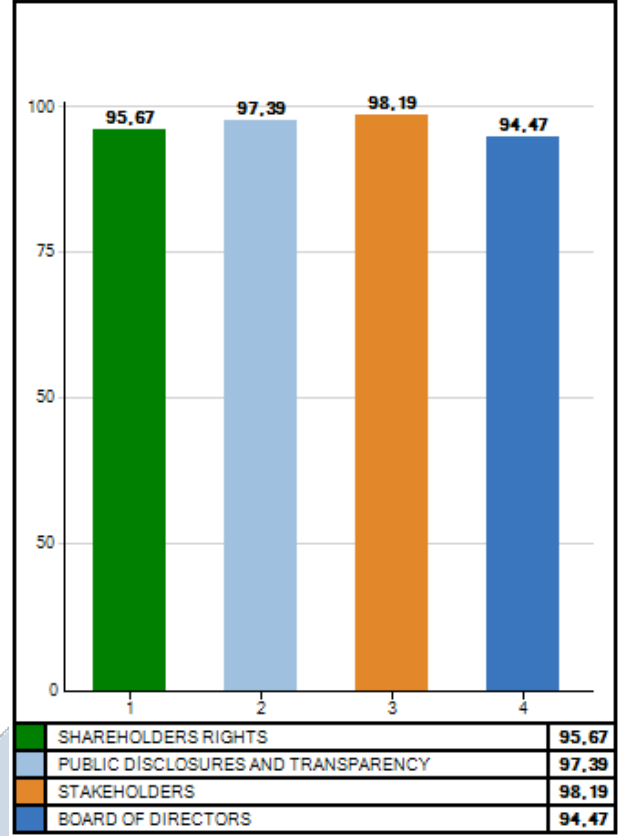
CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE

BIST FIRST GROUP COMPANY

**9.61**

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### SUMMARY AND CONCLUSION OF THE RATING

This report of rating of compliance of Ereğli Demir ve Çelik Fabrikaları Türk Anonim Şirketi (ERDEMİR) with the Corporate Governance Principles is concluded through onsite examinations of the documents and information open to public, interviews held with executives and persons involved, and of other examinations and observations. The study has been held in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve 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 CMB decision dated 13.01.2022 , No.2/27, ERDEMİR is on the list of 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 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 Erdemir has been revised as **9.61**.

This result signifies that the company has achieved a high level of compliance with CMB's Corporate Governance Principles and highly deserves to be on the BIST corporate governance index.

The level of public disclosure and transparency are high. Rights of shareholders and stakeholders are treated fairly. Composition and operational conditions of the Board highly comply with the Corporate Governance Principles. Potential risks that the Company may be exposed are identified and can be managed.

When the activities of Erdemir for the last one year are examined, it is seen that it has been developing and maintaining its compliance with Corporate Governance Principles.

In view of rating process under main headings in brief;

It has been seen that the Company has obtained the grade of **95.67** in the Shareholders Section and has achieved a very good level of compliance with CMB Corporate Governance Principles. Existence of Investor Relations Department to conduct healthy relationship with shareholders, duly convention and invitation of general assemblies, preparation of dividend policy and having no restrictions on transfer of shares are among positive policies.

Erdemir has achieved the grade of **97.39** for the section of Public Disclosure and Transparency. It has prepared disclosure policy and revealed it to public. Its corporate website has been designed to allow investors easy access to information they require and described by Principles.

The annual report's content is sufficient, and information is given in a graphic and easy – to – understand format. As a result of the studies conducted, it has been determined that the company has achieved a very good level of compliance with the principles in the field of public disclosure and transparency.

The Company has obtained **98.19** in the section of Stakeholders. In this section, the company has significantly complied with the CMB's Corporate Governance Principles. Human resources policy has been prepared. Issues concerning employees, such as

recruitment, job descriptions, performance evaluation, promotion, rewarding, leaves, and social rights have been regulated and disclosed to the employees.

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

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

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

The company also continues to implement its sustainability policies.

As for the Board of Directors Section, the Company's grade is **94.47**, representing a very good compliance with CMB's Corporate Governance Principles.

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

Separate individuals hold the posts of Chairman of the Board of Directors and General Manager. There is no one in the Company with sole, unlimited authority to make decisions.

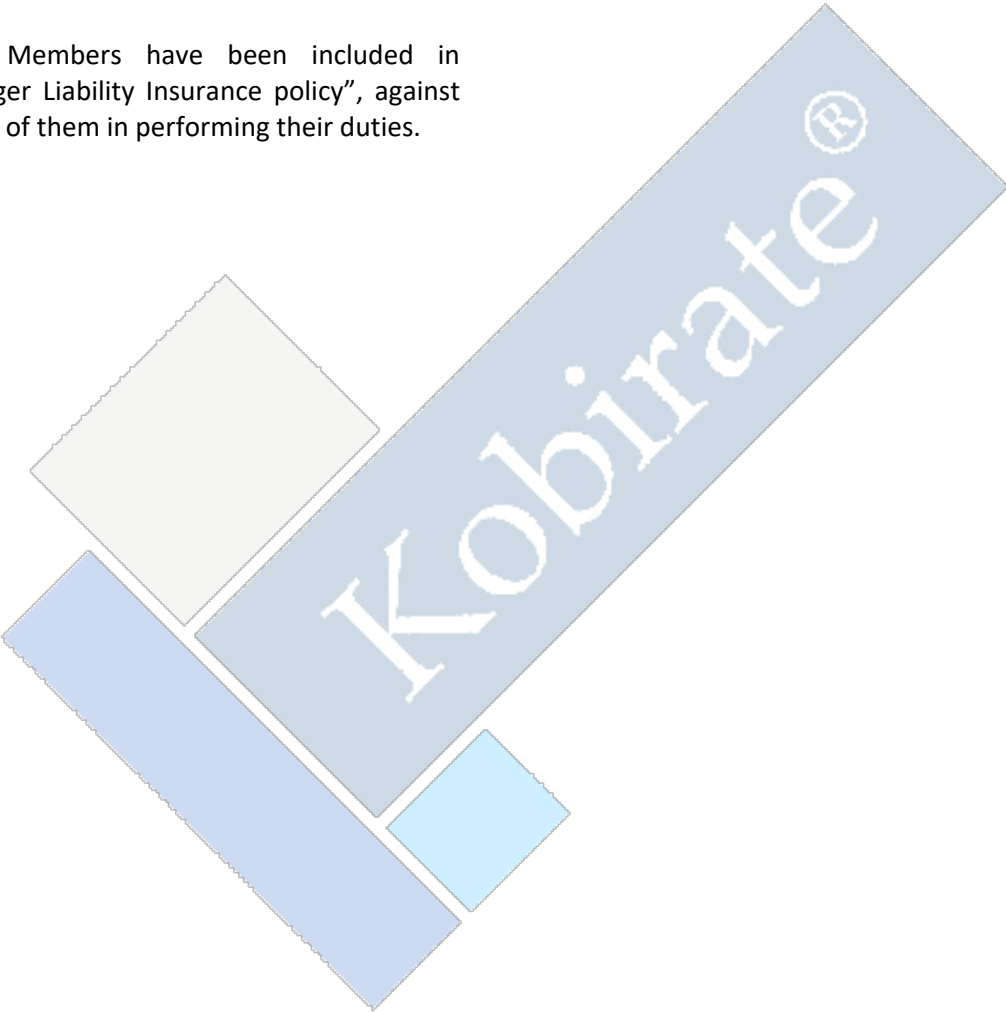
Board of Directors convenes regularly. Meeting procedures are written in Articles of Association and internal regulations.

The Audit, Corporate Governance and Early Risk Detection Committees, referred to by the Principles, have been established, their working principles have been prepared as written documents.

II. Pursuant to the Capital Markets Board Communiqué No. 17-1, the Investor Relations Department Manager has been appointed as a Member of the Corporate Governance Committee.

On the other hand, there are other significant practices in terms of compliance with the Corporate Governance Principles, such as having a majority of non – executive members, having 3 (three) independent members in the committee, and having determined remuneration principles for top managers and disclosed them at the corporate website.

Board Members have been included in “Manager Liability Insurance policy”, against defects of them in performing their duties.



## 2. 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. The Corporate Governance Principles, first announced by the OECD in 1999, were updated for the first time in 2004 and took their final form in Istanbul on April 10, 2015, during Turkey's G20 Presidency.

There are four basic principles of corporate governance in OECD Corporate Governance

Principles. These are: fairness, transparency, accountability, and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013,2014 and 2020 according to international developments in this field.

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

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

The Communiqué on Amending the "Corporate Governance Communiqué (II-17,1)" published



in the Official Gazette numbered 31262 on October 2, 2020, by the Capital Markets Board (II-17,1.a) and regulations regarding the voluntary sustainability principles compliance framework were included.

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

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

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

The Corporate Governance Compliance Rating Methodology revised on February 2022, has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

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

In this analysis, the full compliance of workflow and analysis technique with Kobirate 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 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 FEBRUARY 2022 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014 is restricted to 85 % of the full points.

A rating is made with a system that completes the section grades up to 100 by the company's

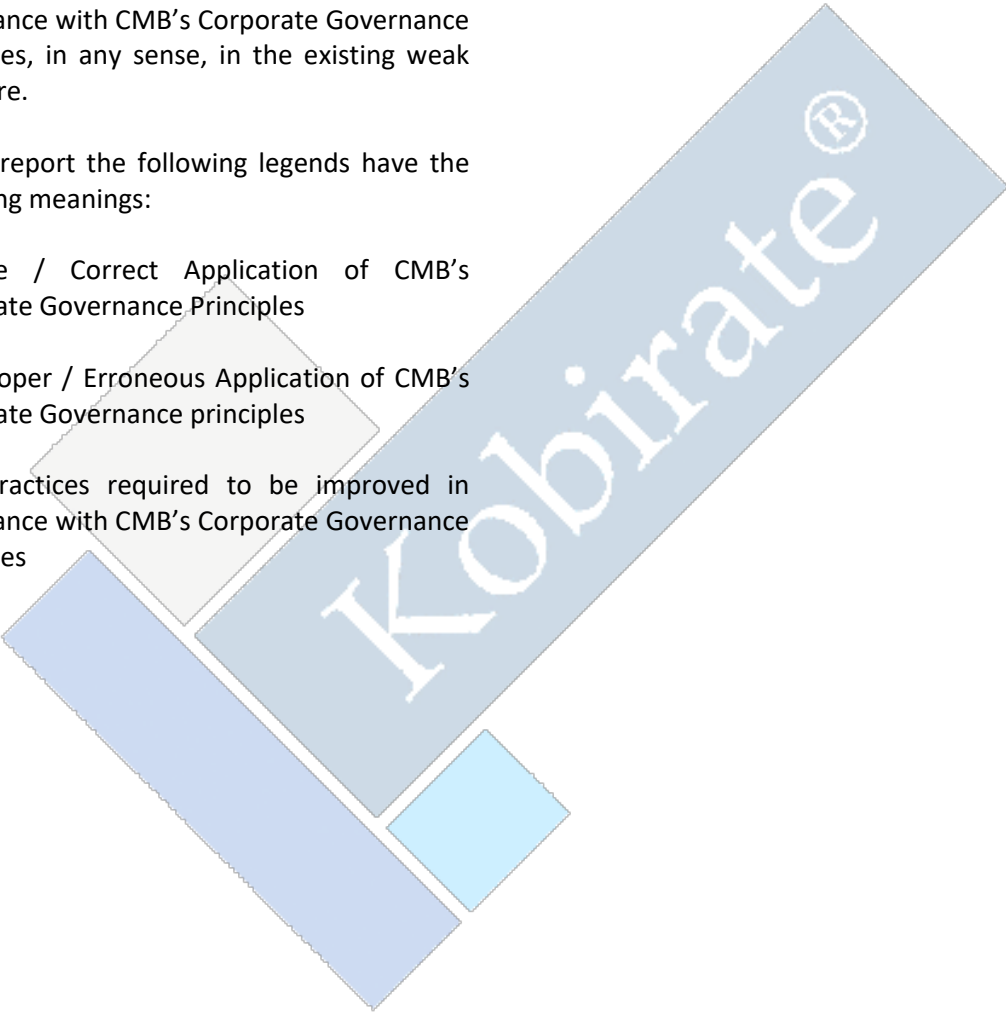


compliance and implementation of the corporate governance practices, which include the good implementation and internalization of the criteria determined in the corporate governance principles, and the different good corporate governance practice criteria determined by our company.

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

In this report the following legends have the following meanings:

- ✓ Due / Correct Application of CMB's Corporate Governance Principles
- ✗ Improper / Erroneous Application of CMB's Corporate Governance principles
- ✓/✗ Practices required to be improved in compliance with CMB's Corporate Governance Principles



### 3. COMPANY PROFILE



<b>Company Name</b>	: EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş
<b>Company Address</b>	: <b>Head Office</b> Barbaros Mahallesi Ardıç Sok. No:6 Ataşehir / İstanbul <b>Headquarters</b> Uzunkum Caddesi No: 7 67330 Kdz. Ereğli/ZONGULDAK
<b>Company Phone</b>	: (0216) 578 8329
<b>Company Fax Number</b>	: (0216) 469 4810
<b>Company's Web Address</b>	: <a href="http://www.erdemir.com.tr">www.erdemir.com.tr</a> <a href="http://www.oyakmadenmetalurji.com.tr">www.oyakmadenmetalurji.com.tr</a>
<b>E-mail Address</b>	: <a href="mailto:iletisim@erdemir.com.tr">iletisim@erdemir.com.tr</a> : <a href="mailto:investorrelations@erdemir.com.tr">investorrelations@erdemir.com.tr</a>
<b>Date of Incorporation</b>	: May 11, 1960
<b>Registered Number</b>	: 863637
<b>Paid-in Capital</b>	: 3.500.000.000 - TL
<b>Line of Business</b>	: 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.
<b>Company's Sector</b>	: Manufacturing Industry / Base Metal Industry

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

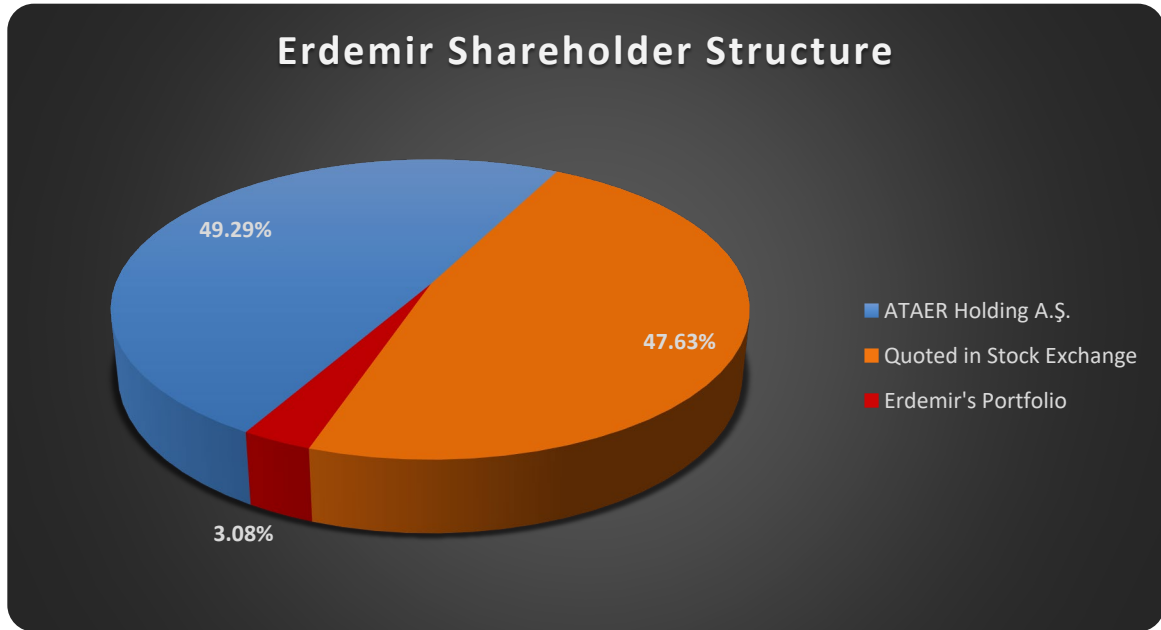
**İdil ÖNAY ERGİN**

**Investor Relations Director**

[ionay@erdemir.com.tr](mailto:ionay@erdemir.com.tr)

**(0216) 578 8061**

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



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

Shareholder Name	Share (Thousand TL)	Share (%)
ATAER Holding A.Ş.*	1.724.982.-	49.29
Quoted in Stock Exchange	1.667.181.-	47.63
Erdemir's Portfolio	107.837.-	3.08
<b>Total</b>	<b>3.500.000.-</b>	<b>100.00</b>

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 Armed Forces Pension Fund (OYAK).

## Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
OYTAŞ İç ve Dış Ticaret A.Ş. (Representative: <b>Süleyman Savaş ERDEM</b> )	Chairman	Non - Executive
OMSAN Lojistik A.Ş. (Representative: <b>Aslıhan DÖĞER</b> )	Deputy Chairman of the Board of Directors-Managing Director Member	Executive
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Representative: <b>Gürtan DAMAR</b> )	Member of the Board of Directors-Managing Director	Executive
T.C Ministry of Treasury and Finance OIB (Representative: <b>Bekir Emre HAYKIR</b> )	Member of Board of Directors	Non - Executive
OYKA Kâğıt Ambalaj San ve Tic. A.Ş. (Representative: <b>Baran ÇELİK</b> )	Member of Board of Directors	Non - Executive
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Representative: <b>Güliz KAYA</b> )	Member of Board of Directors	Non - Executive
<b>Ali FİDAN</b>	Independent Member of Board of Directors & Chairman of Early Detection of Risk Committee, Member of Audit Committee	Non - Executive
<b>Kurtuluş Bedri VAROĞLU</b>	Independent Member of Board of Directors & Chairman of Corporate Governance Committee, Member of Early Detection of Risk Committee	Non - Executive
<b>Emre GÖLTEPE</b>	Independent Member of Board of Directors & Chairman of Audit Committee, Member of Corporate Governance Committee	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
Kurtuluş Bedri VAROĞLU	Independent Member of Board of Directors	The Chairman of The Committee
Emre GÖLTEPE	Independent Member of Board of Directors	Committee Member
İdil ÖNAY ERGİN	Investor Relations Director	Committee Member

#### The Audit Committee

Name Surname	Title	Duty
Emre GÖLTEPE	Independent Member of Board of Directors	The Chairman of The Committee
Ali FİDAN	Independent Member of Board of Directors	Committee Member

#### Early Detection of Risk Committee

Name Surname	Title	Duty
Ali FİDAN	Independent Member of Board of Directors	The Chairman of The Committee
Kurtuluş Bedri VAROĞLU	Independent Member of Board of Directors	Committee Member

### Top Management of the Company

Name/ Surname	Title
Salih Cem ORAL	General Manager of ERDEMİR
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
Sinan BOZKURT	Executive Vice President/ Operations

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

(\*)Group Vice Presidents provide services to all OYAK Mining Metallurgy Companies.

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

	2020/12 (Thousand TL)	2020/12 (Thousand USD)	2021/12 (Thousand TL)	2021/12 (Thousand USD)	Change % (As TL)
Current Assets	28.507.242	3.883.556	65.693.526	4.928.616	130,45
Trade Receivables	3.827.829	521.467	11.413.658	856.302	198,18
Stocks	10.106.678	1.376.838	28.960.197	2.172.721	186,55
Fixed Assets	29.486.670	4.016.984	60.748.771	4.557.639	106,02
Total Assets	57.993.912	7.900.540	126.442.297	9.486.255	118,03
Short-Term Liabilities	9.434.112	1.285.214	23.477.310	1.758.205	148,86
Long-Term Liabilities	7.438.224	1.013.313	18.417.383	1.379.269	147,60
Paid Capital	3.500.000	1.818.371	3.500.000	1.818.371	-
Shareholders Equity	41.121.576	5.602.013	84.547.604	6.348.781	105,60

Source: Erdemir Group Integrated Annual Report 31.12.2021

### Income Statement comparison of Company's Selected Items for yearends of last two years (Consolidated)

	2020/12 (Thousand TL)	2020/12 (Thousand USD)	2021/12 (Thousand TL)	2021/12 (Thousand USD)	Change % (As TL)
Revenue	32.048.029	4.574.696	68.227.404	7.666.948	112,89
Cost Of Sales	(26.123.431)	(3.728.989)	(42.710.993)	(4.799.581)	63,50
Operational Profit / Loss	5.573.200	795.547	24.871.472	2.794.893	346,27
Profit/Loss Before Tax	5.657.525	793.564	23.916.713	2.687.603	322,74
Profit/Loss for the Period	3.509.790	501.005	16.078.558	1.806.803	358,11

Source: Erdemir Group Integrated Annual Report 31.12.2021

### Subsidiaries Included in the Scope of Consolidation

COMPANY NAME	FIELD OF ACTIVITY	PARTICIPATION RATE %
İskenderun Demir ve Çelik A.Ş.(*)	Integrated Iron and Steel Production	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Iron Ore, Pellet	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](http://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.

### Number of Employees of Mining Metallurgy Group

	Paid Hourly (*) Person	Paid Monthly Person	Total Person
Ereğli Demir ve Çelik Fab. T.A.Ş.	4.284	1.825	6.109
İskenderun Demir ve Çelik A.Ş.	3.124	1.675	4.799
Erdemir Madencilik San. Ve Tic. A.Ş.	155	160	315
Erdemir Çelik Servis Merkezi San. Ve Tic. A.Ş.	233	79	312
Erdemir Mühendislik Yön. Ve Dan. Hiz. A.Ş.	-	292	292
Erdemir Romania S.R.L.	217	40	257
Erdemir Asia Pacific Private Limited		1	1
Kümaş Manyezit Sanayi A.Ş.	561	123	684
Odak Refrakter ve Madencilik San. Tic. A.Ş.	11	4	15
Erdemir Enerji Üretim A.Ş.		4	4
<b>TOTAL</b>	<b>8.585</b>	<b>4.203</b>	<b>12.788</b>

(\*) Hourly paid (Blue – collar) employees are unionized.



**Peak and Bottom Closing Values of Company shares traded at BIST  
between 21.07.2021 and 22.07.2022**

<b>Bottom (TL)</b>	<b>Peak (TL)</b>
<b>16,06.- (21.09.2021)</b>	<b>36,50.- (21.04.2022)</b>

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

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

BIST STAR / BIST PARTICIPATION 30 / BIST CORPORATE GOVERNANCE / BIST LIQUID 10 EX BANKS / BIST BASIC METAL / BIST SUSTAINABILITY PARTICIPATION / BIST DIVIDEND 25 / BIST 100 / BIST PARTICIPATION 50 / BIST PARTICIPATION ALL SHARES / BIST 50 / BIST STARS / BIST 30 / BIST SUSTAINABILITY / BIST INDUSTRIALS / BIST PARTICIPATION 100 / BIST ALL SHARES / BIST DIVIDEND

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

**Information about Company Activities**

Erdemir, which plays one of the most important roles in the Turkish industry, started production on May 15, 1965, at its facilities located in Karadeniz Ereğli to meet the country's flat steel needs. Today, Erdemir operates as the largest integrated flat steel producer in Turkey under OYAK Mining Metallurgy Companies.

Erdemir produces hot and cold rolled flat steel, plate, tin, chrome, and galvanized coated steel sheets in international quality standards with its experience gained in its long-established history of more than 56 years. The company is among the most important steel producers in the world with its crude steel capacity of 4 million tons and finished product capacity of 5 million tons.

The products produced by the company provide main inputs to many sectors such as automotive, white goods, pipe profiles, rolling mills, general manufacturing, electrical electronics, machinery, energy, heating appliances, shipbuilding, defense, packaging, renewable energy.

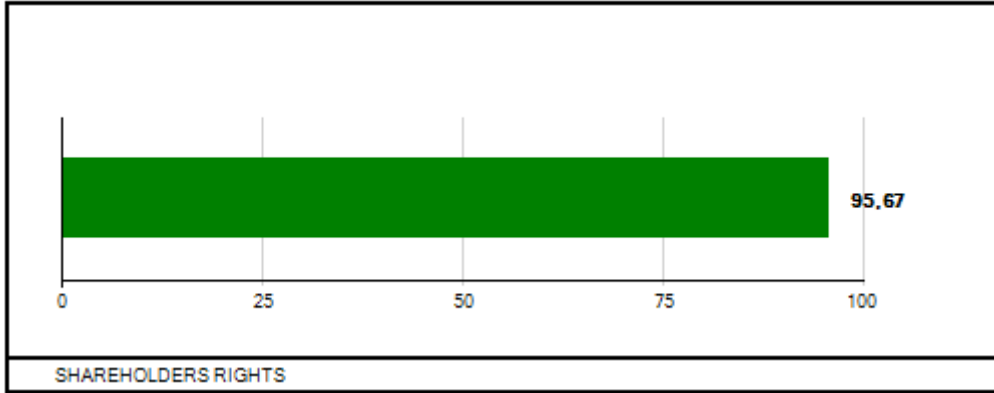
The Black Sea ports of Ereğli and Iskenderun serve both OYAK's Metallurgical Companies and organizations in the region as the largest ports of the country and the region.

OYAK's Metallurgical Companies, as the leading steel producer in the sector, produced 9 million 021 thousand tons of crude steel in 2021, accounting for 22% of the country's crude steel production alone. As OYAK's Metallurgical Companies, according to the data of the World Steel Association, it ranked 4th among EU member countries' producers, 9th in Europe and 48th in the world, in terms of crude steel production.

In 2021, the Group exported 1.6 million tons of products to 171 different customers in 48 countries.

## 4. SECTIONS OF RATING PROCESS

### A. SHAREHOLDERS' RIGHTS



#### Overview

- ✓ There is an Investor Relations Department in order to conduct relations with Shareholders.
- ✓ The General Assemblies were held in accordance with the relevant laws, regulations, and articles of association.
- ✓ Company's Donation and Aid policy has been prepared and disclosed to public.
- ✓ There are no arrangements making exercise of voting right difficult.
- ✓ Dividend distribution policy has been prepared, presented to the approval of the General Assembly, and disclosed to public.
- ✓ There is no restriction on transfer of shares.
- ✓/✗ It would be appropriate to hold general assembly meetings open to public.
- ✓/✗ Minority rights must be extended to those shareholders with less than 1 / 20 of the capital.
- ✓/✗ There is a privilege to nominate candidates for the Board of Directors in favor of the OIB.

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

headings of **Facilitating the Exercise of Shareholders' Rights**, **Shareholders' Right to Obtain Information and to Examine**, **Shareholders' Right to Attend the General Assembly**, **Shareholders' Right to Vote**, **Rights of Minority Shareholders**, **Shareholders' Right for Dividend** and **Shareholders' Right to Transfer Their Shares** to whomever they want, whenever they want. The company's grade for this section is **95,67** points.

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

Investor Relations Directorate reports to Finance Management and Financial Affairs Group Vice President Mustafa Serdar BAŞOĞLU. İdil ÖNAY ERGİN (Director) and Ali Seydi BÖLER (Manager) work in the department. Adil ULUDAĞ İdil ÖNAY ERGİN has Licenses of Capital Market Activities Advanced Level 3 and Corporate Governance Rating Specialist. In accordance with CMB Corporate Governance Directive no II.17-1, Ergin 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 found that the employees of the Investor Relations Department have adequate qualifications in terms of knowledge and

experience required for the task, that they play an effective role in protection and facilitation of shareholders' rights, starting with the right to obtain and review information.

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

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

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

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

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

The information required for the proper exercise of shareholders' rights are presented to the shareholders and to this end the company's websites [www.oyakmadenmetalurji.com.tr](http://www.oyakmadenmetalurji.com.tr) and [www.erdemir.com.tr](http://www.erdemir.com.tr) are used as efficient platforms.

The "Disclosure Policy" prepared by the Board of Directors is published on the corporate website of the Company. Shareholders' right to obtain information is explained in detail in the aforementioned policy. It is understood that in accordance with the company's disclosure policy, all shareholders, potential investors, and analysts are treated equally in the exercise of the right to receive and review information, and care is taken to deliver the disclosures with the same content to everyone at the same time. Within the framework of information sharing, all kinds of information that may be of interest to shareholders and

market players are announced to the public through material disclosures, and material disclosures are also published on the corporate website of the company.

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

It has been observed that information requests from shareholders are answered as soon as possible, and sufficient care is taken to ensure that shareholders' right to obtain information and examination is exercised. It has been learned that in 2021, approximately 300 questions were received on average per month from shareholders, institutional investors and investment institution analysts via telephone and e-mail, and all of them were answered.

During the monitoring period, there was no warning/IPC received from regulatory/supervisory institutions on the grounds that the shareholders and related parties were not adequately informed. In addition, during the same period, it was learned that there were no disputes that were the subject of litigation for reasons such as the fact that the shareholders' requests for information and examination were left unanswered and rejected without justification.

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

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

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

The General Assembly meeting to discuss operations of 2021 took place on 17.03.2022. The invitation to the meeting was duly made in the Turkish Trade Registry Gazette (TRG) dated 23.02.2022 and numbered 10523, on the Public Disclosure Platform (PDP) and the

Central Registry Agency e-general assembly system (EGAS) on 22.02.2022. The date, time, place, agenda, and the sending department have been clearly described in the invitation.

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

The general assembly meetings are held in a way that does not cause inequality among the shareholders and ensures the participation of the shareholders at the lowest possible cost. It is possible for shareholders to attend the meetings physically, through a representative or through the electronic general assembly system (EGKS).

Along with the general assembly meeting announcement, the information document prepared in accordance with the Article 1.3.1 General Assembly of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 was published on the company's website. In this document, it has been determined that information on the total number of shares and voting rights reflecting the shareholding structure of the company as of the date of disclosure, whether there are privileged shares in the company's capital, and the nature and scope of the privileges are shared with the shareholders. Similarly, it has been seen that information about the changes that will significantly affect the management and activities of the partnership and its subsidiaries, and whether the shareholders have requests to add an item to the agenda and whether there are any changes in the articles of association are also included.

During the preparation of the general assembly agenda, it was determined that the agenda headings were expressed clearly and

in a way that would not lead to different interpretations, and care was taken not to include phrases such as "other" "various" in the agenda.

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), Gürtan DAMAR (Member of the Board of Directors-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), İdil ÖNAY ERGİN (Investor Relations Manager) In addition, a representative of the independent audit company also attended the meeting.

When the minutes of the General Assembly are examined, it is determined that the agenda items were voted separately, the votes were counted and announced to the shareholders before the end of the meeting. It was observed that the chairman of the meeting took care to convey the topics on the agenda in an impartial and detailed manner, with a clear and understandable method, and the shareholders were given the opportunity to express their thoughts and ask questions under equal conditions.

It is understood from the explanations in the minutes of the general assembly and the interviews made with the relevant parties in the company that the chairman of the meeting ensures that every question asked by the shareholders at the general assembly meeting, which is not within the scope of trade secrets, is answered directly at the general assembly meeting. The questions asked at the meeting and the answers given to these questions, as well as other answers given by the investor relations department after the meeting, are published on the

corporate website of the partnership no later than 30 days after the meeting.

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

The shareholders were informed about the donations made during the period and their beneficiaries, and the donation limit was also determined.

At the general assembly meeting, the authorized capital increase was given to the board of directors for the years 2022-2026 (5 years), with the registered capital ceiling remaining the same, and article 7 of the articles of association was amended in accordance with this decision.

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

Due to the practices in the general assembly, Erdemir has achieved a very good compliance with many principles hereunder.

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

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

It is possible for the shareholders to exercise their voting right in person or by proxies, whether a shareholder or not, at the general assembly meetings. The members are

submitted with the specimen proxies to be used for this purpose at firm's headquarters and on corporate internet website.

According to paragraph 8 of Article 7 of the Articles of Association of the Company, the capital is divided into Group A and Group B shares. 1 (one) registered share that meets the capital amounting to 1 Kuruş (one Kuruş) is Group A. Again, according to the 9th paragraph of Article 7, "The right of usufruct has been established on the Group A shares, with all its rights, on behalf of the Privatization Administration, to be valid until a contrary decision of the Privatization High Council. All voting rights related to Group A shares will be exercised by the usufruct holder. In this context, with Article 10 of the Articles of Association, the Privatization Administration has the privilege to nominate a candidate for the board of directors. Other rights and powers granted to the Privatization Administration within the scope of the established usufruct are regulated by articles 11, 12, 22 and 37 of the Company's Articles of Association.

Detailed explanations on the distribution of company shares, voting rights granted by the shares, privileges regarding voting and other issues are provided in the corporate website, annual activity reports and general assembly information documents.

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

The practices of Erdemir other than the privilege mentioned above comply with the principles.

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

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



However, there is no adjustments made to extend minority rights with Articles of Association and covering those shareholders who have less than 1 / 20 of the capital.

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

The method to be applied in profit distribution is regulated in Article 34 Of the articles of association.

According to this article;

“The General Assembly is authorized to take decisions on the issues of non-distribution of profits or partial or complete distribution of profits within the framework of profit distribution policies.

General legal reserves and practices related to the dividend account are conducted within the framework of the provisions of the Turkish Commercial Code, the CMB and the relevant legislation.

In addition, the General Assembly is authorized to distribute Dividends in Advance in accordance with the provisions of the TCC, the CMB and the relevant legislation.

The profits distributed in accordance with the provisions of this Articles of Association cannot be recovered. The case of profit recall in the case of distribution of a dividend advance is an exception to this.”

The Company has determined its profit distribution policy in accordance with the CMB communiqués, the criteria set out in the TCC and the relevant articles of the articles of association of the company and has disclosed it to the public electronically.

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

There are no privileges in the distribution of dividends.

According to financial statements prepared in compliance with Tax Procedure Law the Company earned TRY 19.155.428.244 net profit from its activities in 2021. According to consolidated financial statements prepared in accordance with CMB regulations, the Company made TRY 15.527.081.632 net period profit.

The proposal of the board of directors on the distribution of the profits obtained was submitted for the approval of the shareholders at the general assembly meeting held on 17.03.2022. According to this;

- After the necessary exemptions have been applied and the legal obligations have been fulfilled, it has been proposed to distribute a total of TRY 15.575.000.000 to the shareholders as the first and second dividends,
- and to pay the profit at once on 22.03.2022.

With this proposal submitted and accepted to the general assembly, dividend payments were made to the shareholders on the specified date.

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.

Erdemir's practices in this subsection are in full compliance with the principles.

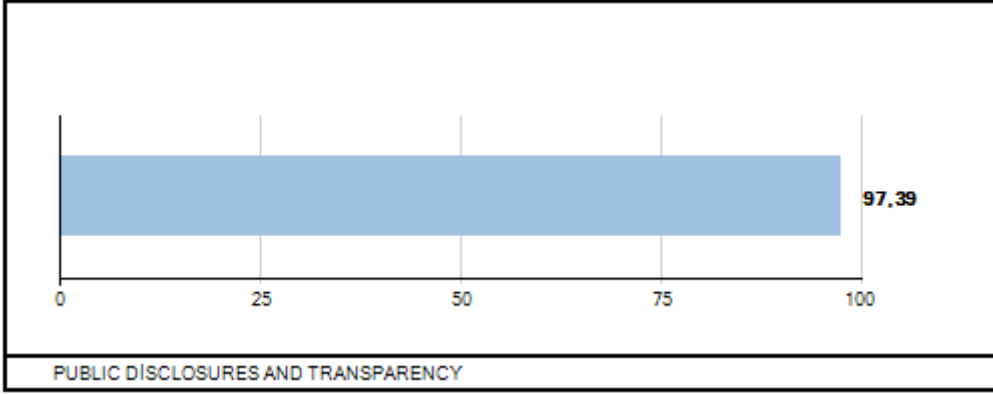
#### **g. Transfer of Shares**

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

In this subsection, the company has fully complied with the principles.



## B. PUBLIC DISCLOSURE AND TRANSPARENCY



### Overview

- ✓ Disclosure policy has been prepared and disclosed to public through electronic media.
- ✓ Corporate website is used effectively as a current tool for public disclosures within the context as stated by the principles.
- ✓ The information and documents, required by principles to be on the corporate website, are published based on last five years.
- ✓ The annual report is comprehensive, and its content mostly reflects the principles.

As for this section, the Company has been assessed by **93** different criteria under the headings of **Corporate Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **97,39**.

Erdemir conducts public disclosures within the scope of its Public Disclosures Policies developed by the board and disclosed to public. This policy is in line with the CMB's Special Circumstances Communiqué No. II.15-1 and is quite comprehensive.

The officials in the Company who are charged with disclosures and have the authority for signature are M. Serdar BAŞOĞLU (Finance

Management and Financial Affairs Group Vice President), Ulaş YİRMİBEŞ (Financial Control and Reporting Director), Emircan DILBER. (Director of Tax and Legislation)

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

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

#### a. Corporate Website

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

On the company's website, alongside with information bound to be disclosed by regulations, there is commercial registry info, information on latest shareholder and management structure, committees of board of directors and their working principles, information on whether there are privileged shares or not in the capital, dates and numbers of commercial registry newspapers where changes were published along with the final text of company's Articles of Association, material disclosures, important board decisions, financial reports, annual reports, agendas of general assembly meetings, the lists of attendees, the proceedings of the assemblies, the specimen Proxy, dividend policy, disclosure policy, remuneration policy, compensation policy, donation policy, business ethics rules and information requests, questions and notifications and answers given under frequently-asked questions title.

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

This information on the website is also published in English for international investors.

The company has also created the website [www.erdemironline.com](http://www.erdemironline.com) in order to be able to communicate directly with the relevant parties regarding its customers, suppliers, and tenders regarding its commercial activities. In the reviews conducted on this website, it was found that it is quite functional and configured to meet the needs of interested parties.

Financial statement statements, which are required to be disclosed to the public in accordance with the capital market legislation, are disclosed simultaneously in English as well as Turkish on the Public Disclosure Platform. English explanations are presented in such a way that they are accurate, complete, direct, understandable, sufficient, and consistent with the Turkish language of the explanation to help those who will benefit from the explanation to make a decision.

As for the partnership structure, it is explained on the corporate website that the company

does not have a real person or a final controlling shareholder. The main shareholder of the Group is ATAER Holding A.Ş and its ultimate main shareholder is Armed Forces Pension Fund (OYAK).

In this subsection, it has been determined that Erdemir's compliance with corporate governance principles is at a very good level.

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

Since 2019, Erdemir has been preparing both the Integrated Annual Report and the annual report in accordance with the CMB Communiqué No. II.14.1. The annual reports of the last five years are published electronically.

It is seen that board of directors has prepared the annual report in such a way that public can access comprehensive, complete, and correct information on company activities. The report also clearly points out the development of the company and the risks it is likely to face and includes the evaluation of the board of directors on these issues.

The annual report for the accounting period ended on 31.12.2021 was approved and disclosed to the public by the decision of the Board of Directors dated 10 February 2022 and numbered 9814.

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

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

Independence declaration of the board members,

Evaluation of the board of directors regarding the members of the committees formed within the body of the board of directors, the frequency of their meetings, the working principles including the activities conducted, and the effectiveness of the committees,

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

Changes of regulations, which might significantly affect company operations,

Information about important lawsuits filed against the company and their possible consequences,

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

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

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

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

Also, in addition to the issues specified in the legislation and other parts of the corporate governance principles, the annual reports include;

The period of the report, the title of the partnership, the trade registry number, contact information,

General descriptions of the characteristics of the production units of the company, the amount, and prices of sales,

Sales and improvements seen in them during the year, productivity rates and the reasons for significant changes in them compared to previous years,

Developments in investments, the status of benefiting from incentives, the extent to which they have been realized,

The financial resources of the company and the nature and amount of the capital market instruments, if any,

Changes made to the articles of association during the period and their reasons,

Profit distribution policy,

Declaration of Compliance with Corporate Governance Principles and compliance reports,

Mandatory information to be provided to shareholders regarding related party transactions and balances,

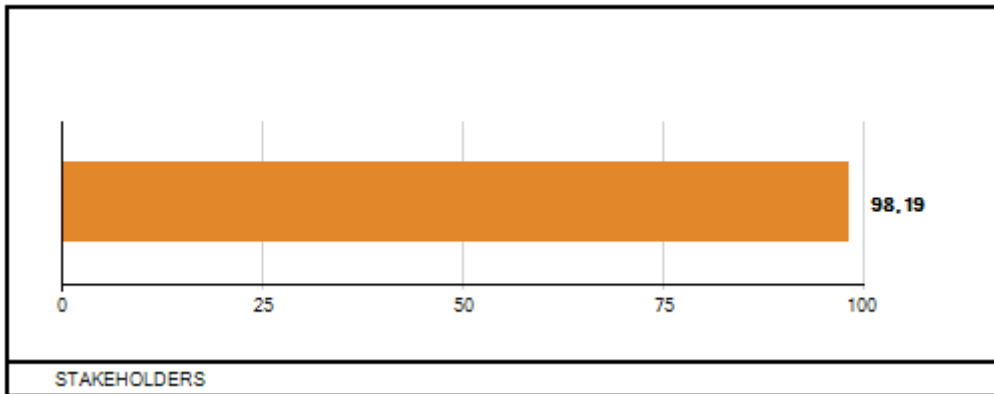
A lot of information, including other matters not included in the financial statements but that would be useful to users.

The company also includes the sustainability principles compliance report in its annual report in accordance with the "Communiqué Amending the Corporate Governance Communiqué (II-17,1) (II-17,1.a)" and the voluntary sustainability principles compliance framework format.

In the annual report, salaries, bonuses, and similar benefits provided to the members of the board of directors and senior executives are disclosed in total, not on an individual basis.

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

## C. STAKEHOLDERS



### Overview

- ✓ Business Ethics Rules have been prepared and disclosed in electronic environment.
- ✓ There are no regulations that make it difficult for stakeholders to exercise their rights.
- ✓ Human resources policy and many internal regulations concerning customers and stakeholders have been prepared.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There are no complaints made by employees about discrimination and difficulties in getting their rights.
- ✓ Compensation policy for employees has been prepared and disclosed to public.
- ✓ Blue – collar employees are unionized.
- ✓ Care is given to confidentiality of information about customers and suppliers on trade secret basis.
- ✓ The Company has established and publicly disclosed its Corporate Social Responsibility Policies.
- ✓ An active mechanism has been prepared for company stakeholders to report Company's unethical and irregular actions to the Corporate

Governance Committee or Audit Committee.

- ✓/\* Regulations can be developed in the Articles of Association or in company regulations supporting participation to management of employees and stakeholders.

In this section, the Company has been assessed by **104** different criteria under the headings of **Corporate Policies on Stakeholders, Supporting Stakeholders' Participation in Company Management, Company Policy on Human Resources, Relations with Customers and Suppliers, Ethical Rules and Social Responsibility and Sustainability** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **98,19**.

#### a. Corporate Policies on Stakeholders

The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations. It is concluded that Erdemir 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.

Stakeholders are adequately informed on company policies and procedures to protect their rights and company's corporate website is being actively used for this purpose. In addition, white-collar employees are informed through regular periodic information meetings and company practices on the intranet, and blue-collar employees are informed through union representatives and the Erdemir Group Newspaper.

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

It has been observed that the necessary mechanisms have been established for stakeholders to communicate the company's illegal and ethically inappropriate transactions to the Ethics Committee.

Employees, suppliers and all other stakeholders can submit their questions about compliance with the Code of Ethics and Business Principles and the Anti-Fraud Policy, or their complaints about non-compliance, via e-mail address [etik@erdemiretik.com](mailto:etik@erdemiretik.com) or phone 0850 211 3000. Ethics review professionals working in the Internal Audit Department reporting directly to the Deputy Chairman of the Board of Directors and Managing Director can access the notifications made through these channels.

The Internal Audit Directorate conducts the examination and investigation activities regarding the notifications received regarding compliance with the Code of Ethics and Working Principles and the Anti-Fraud Policy. The activities of resolving non-compliances and imposing sanctions when deemed necessary are under the responsibility of the Ethics Committee. The Board consists of the Human Resources Chief Executive and the Legal Chief Executive under the chairmanship

of the Deputy Chairman of the Board of Directors and Executive Director. The Internal Audit Executive is the rapporteur of the Ethics Committee.

In this subsection Erdemir has achieved a very good compliance with corporate governance principles.

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

The articles of association and/or internal regulations do not contain regulations supporting the direct participation of stakeholders in the company management. However, it is seen that the opinions of the stakeholders are taken in important decisions that have consequences for the stakeholders. White-collar employees can convey their views and opinions to the management through regular periodic briefings and blue-collar employees through union representatives. In addition;

- It was learned that the opinions and suggestions of the employees were received through Erdemir Suggestion System (ERÖS) and Performance Management System and necessary improvements, and developments were made,

- The customer is contacted directly on the website [www.erdemironline.com](http://www.erdemironline.com). And that customer complaints received through the aforementioned site or by telephone/fax are being examined on site and necessary corrective actions are being taken.

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

These models currently support stakeholders' participation to the Company management. However, it is advisable to improve these



models and put them into Articles of Association and inner regulations if necessary.

The Company has significantly complied with the Principles with its practices in this subsection.

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

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

It has been seen that the Human Resources Policy that the Company has already disclosed to public, aims to create employees who are in line with contemporary norms, focused on performance, successful, loyal, and highly motivated.

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

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

As a result of the interviews with the relevant people and employees, it was learned that there was no discrimination between the employees on race, religion, language, and gender. In the same way, it is understood that safe working environments and conditions are provided for employees. The company successfully passed the surveillance audit conducted by TSE on December 10, 2021 and was entitled to continue the "TSE Covid-19 Safe Production Certificate" for the production sector.

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

As of the end of 2021, a total of 6.109 employees were employed in Erdemir, of which 1.825 were white-collar and 4,284 were blue-collar. In 2021, 229.295 hours of training were planned for the employees and 228.013 hours were conducted. As of the end of May 2022, the training planned as 115.135 hours was conducted as 114.098 hours.

Blue-collar employees are organized under the umbrella of the Turkish Metal Union. The 28th term Collective Bargaining Agreement was concluded on 23 December 2020 and is valid between 1 September 2020 and 31 August 2022.

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

Employee stock-options schemes are not developed.

In this subsection, Erdemir's compliance with corporate governance principles is at a very good level.

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

Documents and information obtained from customers and suppliers during the activities are kept under protection to ensure that irrelevant persons do not access this information within the scope of the security of trade secrets.

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

With the Customer Satisfaction Index (MME), which was put into use in 2020 and allows to monitor customer satisfaction through a single index, improvement efforts are continued by following the feedback received from customers. As a result of the studies



conducted for the Customer Satisfaction Index (MME) and index targets, it was learned that the number of complaints in Mining Metallurgy Companies decreased by more than 35% in 2021. It has been stated that the average closing process of complaints recorded on online systems has improved by 20% in 2021 compared to the previous year.

Erdemir manages all business processes in accordance with company strategies, national and international laws and regulations, and the needs and expectations of its stakeholders. In this form of management, which also includes being customer-oriented, risk analyses are conducted by evaluating the sustainability of management systems applications. In this context, internal audits conducted at Erdemir to evaluate the effectiveness and efficiency of its systems were also conducted using online (Zoom, Skype, etc.) and on-site audit methods in 2021.

Management Review Meetings, which are held once a year within the scope of management systems, have started to be held twice a year (March and September) in order to be more effective and efficient. In the meeting held in March 2021, the performance of the management systems in 2020 was evaluated together with the specialized units, and in the meeting in September 2021, all developments, and realizations in the management systems in 2021 were evaluated. The decisions taken as a result of these meetings and the activities conducted to implement the decisions were monitored on the basis of 3-month periods and reported to the senior management.

The certified management systems of the company are ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System, ISO 45001: 2018 Occupational Health and Safety Management System, IATF 16949: 2016 Quality Management System for the Automotive Industry, ISO 50001: Energy Management System, ISO 17025: 2017 Experiment and Calibration Laboratory

Accreditation Certificate and ISO 27001: 2017 Information Security Management System.

Erdemir's compliance with the principles in this subsection is at a very good level.

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

The Code of Ethics and Working Principles, as well as the Anti-Fraud Policy, contain the expectations, standards and ethical practices that form the basis for all business relationships and transactions of OYAK Mining Metallurgical Companies. The Ethical Principles and the Anti-Fraud Policy cover OYAK's Mining Metallurgical Companies and all third parties and employees acting on behalf of these companies.

The Code of Ethics and the Principles of Work consist of 4 main headings:

- Honesty
- Avoiding a Conflict of Interest
- Protection of Trade Secrets and Confidentiality
- Our Responsibilities

The Company undertakes to respect human rights and to act in accordance with the Labor Law and the International Labor Organization (ILO) agreements, to which the Republic of Turkey is a party, on the issue of our Responsibilities to Society and Humanity, which is regulated under the heading of Our Responsibilities.

In the article Our Responsibilities Towards Our Competitors, it provides assurance to compete only in legal and ethical areas and to avoid unfair competition.

Within the scope of orientation programs, Ethical Rules and Working Principles training is given to newly recruited employees. In addition, reminder trainings are held for all monthly paid employees every year.

In 2021, 3.697 monthly paid people attended the ethics trainings organized through the

DijitalİK (DigitalHR) application. In addition, with the development of the digital infrastructure and the inclusion of hourly paid employees in the system, ethics trainings were organized for hourly paid employees for the first time in 2021. In this direction, 7.091 hourly paid employees participated in ethics trainings.

Ethical Compliance Statements are obtained from the employees in electronic environment after the ethics trainings held every year.

Ethical Rules and Working Principles and Anti-Fraud Policy documents are included as a part of the contracts made with suppliers and customers, and the companies with which they have commercial business relations are expected to comply with these conditions. Companies that are found to violate the terms are considered as risky suppliers and doing business with these companies is avoided.

Ethical Rules and Working Principles and Anti-Fraud Policy documents are published on the corporate website, accessible to all stakeholders.

Employees, suppliers and all other stakeholders can submit their questions about compliance with the Code of Ethics and Business Principles and the Anti-Fraud Policy, or their complaints about non-compliance, via e-mail address [etik@erdemiretik.com](mailto:etik@erdemiretik.com) or phone 0850 211 3000.

As a result of the examination of the notifications by the Ethics Committee, actions are taken to strengthen the internal control environment in order to prevent similar situations from happening again, as well as disciplinary sanctions when necessary.

The Internal Audit Directorate provides regular information flow and reports to the Audit Committee on ethical compliance activities and ethical review results. Within this framework, 5 meetings were held in 2021.

Ethical rule consultation and violation notifications are kept in a central database.

During the year, data are reviewed, and actions are taken to improve the compliance process.

As part of the development of the ethics compliance program, the company has corporate memberships in the Turkish Ethics and Reputation Association (TEID) and International Transparency Association.

During the monitoring period, it was reported that there were no lawsuits filed against the company for reasons such as violation of shareholder rights or reduction of company assets. On the other hand, the public is regularly informed about the ongoing cases on the Public Disclosure Platform and in the annual activity reports.

OYAK Mining Metallurgy Companies states that it considers contributing to the social development and welfare of the society as one of its main responsibilities.

- Within the scope of education support, 9 schools have been built and donated to the Ministry of National Education until today. Electricity, water, heating, and cleaning needs of these schools, which are located in the lodging areas in Ereğli and İskenderun, are still covered by the Group.

- Turkey's first pocket satellite Grizu-263A, supported by Erdemir and produced by the Zonguldak Bülent Ecevit University Space Team, was launched into space on January 13, 2022, with a SpaceX rocket and started its mission that will last for about 4 years.

- As Erdemir, disinfectant support was provided to students and teachers who started face-to-face education again during the pandemic period. Again, during this period, 230 tablet computers were donated to the Ereğli District Directorate of National Education in 2020 for students who could not access distance education, and this support continued in 2021. Additional 1.015 tablet computers were delivered to students in need.

Other projects:

- Erdemir Steel and Life Sculpture Competition,
- "Let the Fields be Plowed, Let the Tradition Continue" Project
- "Cruise Terrace" Project
- "Let the Silk Cloths Be Woven, Let Our Cultural Heritage be Protected" Project
- Hatay Children's Traffic Training Park

The details of the above-mentioned projects and other social responsibility projects can be accessed from the integrated annual report "Social Contribution" section.

It was announced that the total amount of contributions to social projects reached 19 million 450 thousand TL in 2021.

#### **f. Sustainability**

Erdemir has been preparing comprehensive Sustainability Reports every year since 2014. Sustainability Reports for 2020 and 2021 has been presented within Integrated Annual Report, which is published on Company's corporate website.

It also 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.

The company has gathered its "Sustainable Growth" target under 7 main headings, determined its relevant priorities and revealed its action plans, processes and actions.

These are;

##### **1. FINANCIAL PERFORMANCE**

Related Priorities - Sustainable Profitability

##### **2. CUSTOMER'S SOLUTION PARTNER**

Related Priorities

- Product Quality
- Supply Chain Management
- R&D and Innovation
- Operational Efficiency

##### **3. RESPONSIBLE PRODUCTION**

Related Priorities

- Occupational Health and Safety
- Employee and Human Rights
- Operational Efficiency

##### **4. ENVIRONMENTAL PERFORMANCE**

Related Priorities

- Climate Change
- Energy Management
- Sustainable Profitability
- Waste Management
- Product Quality
- Low Emission Production Technologies
- Water Management
- Air Emissions
- Cyclical Economy
- Biodiversity

##### **5. R&D AND INNOVATION**

Related Priorities

- Energy Management
- Product Quality
- Low Emission Production Technologies
- R&D and Innovation
- Operational Efficiency
- Digitalization

##### **6. HUMAN-CENTERED APPROACH**

Related Priorities

- Employee and Human Rights
- Talent Management
- Equality of Opportunity and Diversity

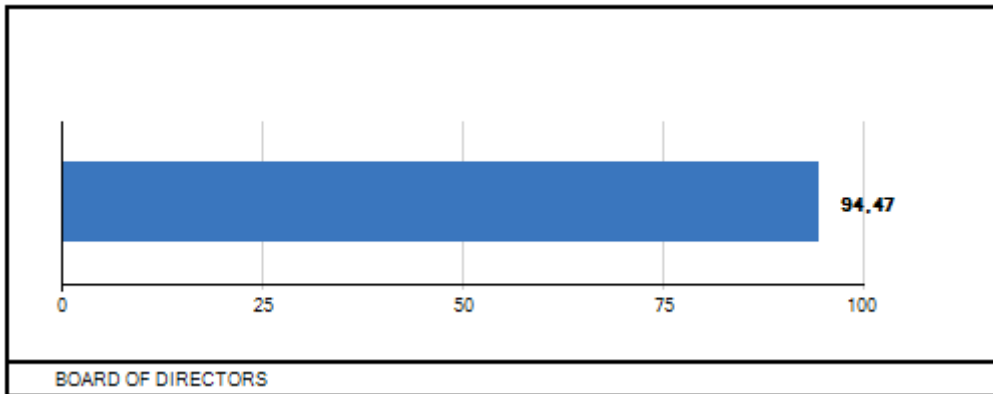
##### **7. SOCIAL CONTRIBUTION**

Related Priorities

- Projects That Make a Social Contribution
- Effects on Local Peoples

Erdemir has been included in the BIST Sustainability Index since November 2015-October 2016.

## D. BOARD OF DIRECTORS



### Overview

- ✓ Company's strategic targets, human and financial sources it requires are determined by the Board of Directors.
  - ✓ The posts of Chairman and CEO are conducted by separate individuals and there is not any person with solely unlimited authority in the company.
  - ✓ The number of Board Members is adequate for them to work productively and constructively.
  - ✓ Majority of Board Members are non-executives.
  - ✓ 3 of Board Members are independent members.
  - ✓ There are 2 female members in the Board of Directors.
  - ✓ Every Board Member has one vote.
  - ✓ There is not any loan/credit involvement between Board Members and company.
  - ✓ Corporate Governance, Audit and Early Detection of Risk Committees stated in the principles have been established and working principles are determined.
  - ✓ Remuneration principles for members of board and top executives have been determined and disclosed to public.
- ✓/\* The shares representative of the group (A) (ÖİB) has the right of veto in some decisions.
  - ✓/\* Executive Financial Liability insurance has been issued, but it does not exceed 25% of the company's capital.
  - ✓/\* The rate of female members in the Board of Directors is below 25%.
  - ✓/\* Fees and benefits given to the board of directors and directors with administrative responsibilities are not disclosed on individual basis.
  - \* There is no policy of performance assessment of Board as a whole and as individual members.
- In this section, the Company has been assessed by 148 different criteria under the headings of **Function of the Board of Directors, Principles of Activity of the Board of Directors, Structure of the Board of Directors, Procedure of Board of Directors Meetings, Committees Formed within the Structure of the Board of Directors and Financial Rights Provided for the Members of the Board of Directors and Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **94,47**.

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

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

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

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

In this subsection Erdemir has achieved a very good compliance with corporate governance principles.

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

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

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

The Board of Directors has established internal control systems, including risk management and information systems and processes, which can minimize the effects of risks that may affect the company's stakeholders, especially the shareholders. It has been learned that the Board is reviewing the effectiveness of risk management and internal control systems.

No person in the Company has the authority to decide solely and in an unrestricted fashion.

Positions of Chairman of the Board and CEO are hold by different individuals.

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

Manager Liability Insurance against defects of Board Members duties has been made but it does not exceed 25% of the company's capital.

Regarding this subsection, it has been determined that the company has achieved a good compliance with the Corporate Governance Principles.

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

Company's Board of Directors is formed with 9 (nine) members, including 1 (one) Chairman and 8 (eight) members. The requirement of having at least 5 (five) members to form the Board has been met and the number of Board Members found sufficient to serve effectively and constructively and to form and efficiently organize activities of committees.

7 (seven) Board members are non – executives, while 2 (two) of them are executives. 3 (three) members are independent members who satisfy the independence criteria laid down by the Corporate Governance Principles.

The independent members of the Board of Directors submitted their written statements regarding their independence to the Nomination Committee within the framework of the criteria set out in the legislation, articles of association and principles. The Nomination Committee has submitted its evaluations regarding the candidate's proposals for independent membership and whether the candidate fulfills the independence criteria to the Board of Directors for approval. The Board of Directors approved the proposed nominees



and submitted them to the CMB for comment. Upon the CMB's failure to express a negative opinion, the finalized list of independent member candidates was announced to the public together with the General Assembly meeting announcement. It would be appropriate for the company to pay attention to the time constraints specified in the principles during these processes.

There are 2 (two) female members in the Board of Directors, which corresponds to 22% of the number of members. This structure does not comply with the "not less than 25%" criterion determined by the CMB as the rate of female members in the board of directors. It is expected that the company will set a target rate and target time for female members in the board of directors, not less than 25%, establish a policy to achieve these targets, and the board of directors will annually evaluate the progress made in achieving these targets.

In this subsection Erdemir has achieved a good compliance with corporate governance principles.

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

According to article 12 of the company's articles of association, the board of directors convenes at least six times a year or whenever company business requires it. The same article includes provisions on necessary majorities for holding meetings and taking decisions.

It is understood from the examinations made on the decision book of the Board of Directors that the Board convenes enough to fulfill its duties effectively. The committee convened 6 (six) times in 2021 and 2 (twice) as of May 2022.

Every Board Member has one vote. However, the affirmative vote of the member of the board of directors holding the usufructuary right must be present in the decisions to be taken regarding the rights granted to the A group (with usufruct right in favor of the ÖİB) shares.

It has been observed that the meetings of the board of directors are held in accordance with the regulations of the legislation and the articles of association regarding the meetings of the board of directors, and the meeting processes are also written down with the internal regulations of the company. "Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Internal Directive of the Board of Directors" was accepted at the Board of Directors meeting dated 15.04.2015 and numbered 9351 and within this directive, and issues including:

- Definition and duties of the Executive Board Member,
- The function, operating principles, duties, and powers of the Board of Directors,
- Definition of transactions depending on the decision of the board of directors,
- Duties with limited representation power and the scope of representation power,
- As well as many other issues listed in the principles have been ruled and it has been determined that the practices comply with this directive.

The meeting agenda of the board of directors is created by the chairman of the board of directors, and requests from the members of the board of directors and managers regarding the agenda items are also taken into account. The call for meetings is made by e-mail. The secretariat of the board of directors informs the board members by sending them the meeting agenda and documents related to the agenda.

Secretarial function of the Board is conducted by Suzan MERT.

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

In this subsection Erdemir has achieved a very good compliance with corporate governance principles.



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

In order for the Board of Directors to fulfil its duties and responsibilities soundly, Audit Committee, Corporate Governance Committee and Early Detection of Risk Committees have been established. Separate Nomination and Remuneration Committees have not been established because of the Board's structure. These duties are conducted by Corporate Governance Committee. The working principles of the corporate governance committee have been prepared in accordance with this structuring.

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

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

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

The committees invite the manager they deem necessary to their meetings and take advantage of his/her opinions. All the work done in the committees is written down and recorded.

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

- **The Audit Committee;** monitors performance and effectiveness of company's accounting system, public disclosure of financial information, independent audit, and

internal control system. The selection of independent audit company and supervision of its work at every stage is implemented by the audit committee.

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

Audit Committee held 4 (four) meetings in 2021 and 2 (two) meetings in as of May 2022. After the meeting, the Committee submitted the results and recommendations of the meeting as a report to the board of directors.

Secretarial function of the Board is conducted by Ulaş YİRMİBEŞ (Financial Control and Reporting Director),

**Internal Audit:**

The Group Internal Audit Directorate conducts audit activities directly reporting to the Deputy Chairman of the Board of Directors and Executive Director in order to evaluate and improve the effectiveness of risk management, control, and governance processes. Capital Markets

In accordance with the relevant communiqué of the Board of Directors, the Board of Directors evaluate the effectiveness of the internal control system at least once a year. In this context, the Internal Audit unit regularly informs the Audit Committee on internal audit activities in line with their requests. For this purpose, 5 (five) meetings were held in 2021 with the participation of the Audit Committee members and the Internal Audit Director. As of May 2022, 3 (three) audits were made, and 2 (two) reports were submitted.

- **The Corporate Governance Committee** is responsible for determining whether the corporate governance principles are applied in the Company, if not, the reason and the conflict of interest arising from not fully complying with these principles and explaining them to the public with a corporate governance compliance report.

The aforementioned committee consists of 3 (three) members; the chairman of the committee and one member is an independent board member. Another member serves as the Investor Relations Director and has been appointed as a member of the Corporate Governance Committee in accordance with the Capital Markets Board's Communiqué II.17-1. This change in the committee was announced to the public with the material event statement dated 04.09.2014.

In this way, a structure has been made in accordance with the principle that if the Corporate Governance Committee consists of two members, both of them, and if it has more than two members, the majority of the members are composed of non-executive members.

Corporate Governance Committee held 6 (six) meetings in 2021 and 2 (two) meeting as of May 2022. It has reported meeting results to the board of directors.

The Board of Directors' evaluations regarding the committee members, the frequency of meetings, the activities conducted, and the effectiveness of the committees are disclosed to the public through annual activity reports.

Collaborating closely with the Corporate Governance Committee, Investor Relations Department reports to the board about its activities at least once a year. Erdemir Investor Relations Directorate submitted 2 (two) reports on 11.02.2021 and 26.10.2021 in 2021, and 1 (one) report on 10.02.2022 as of May 2022.

Secretarial function of the Board is conducted by İdil ÖNAY ERGIN (Investor Relations Director).

- **Early Detection of Risk Committee** is charged for early detection of risks that may endanger the existence, development, and continuity of the company; it takes necessary measures against determined risks and manages the risk. It reviews the risk

management system for at least once a year. Working principles of the committee have been prepared and disclosed to public in electronic environment.

The committee consists of 2 (two) independent members.

Early Detection of Risk Committee held 6(six) meetings in 2021 and 2 (two) meeting as of May 2022. It reported meeting results to the Board.

Secretarial function of the Board is conducted by Erdemir PREKA (Corporate Risk Management Manager).

In this subsection Erdemir has achieved a very good compliance with corporate governance principles.

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

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

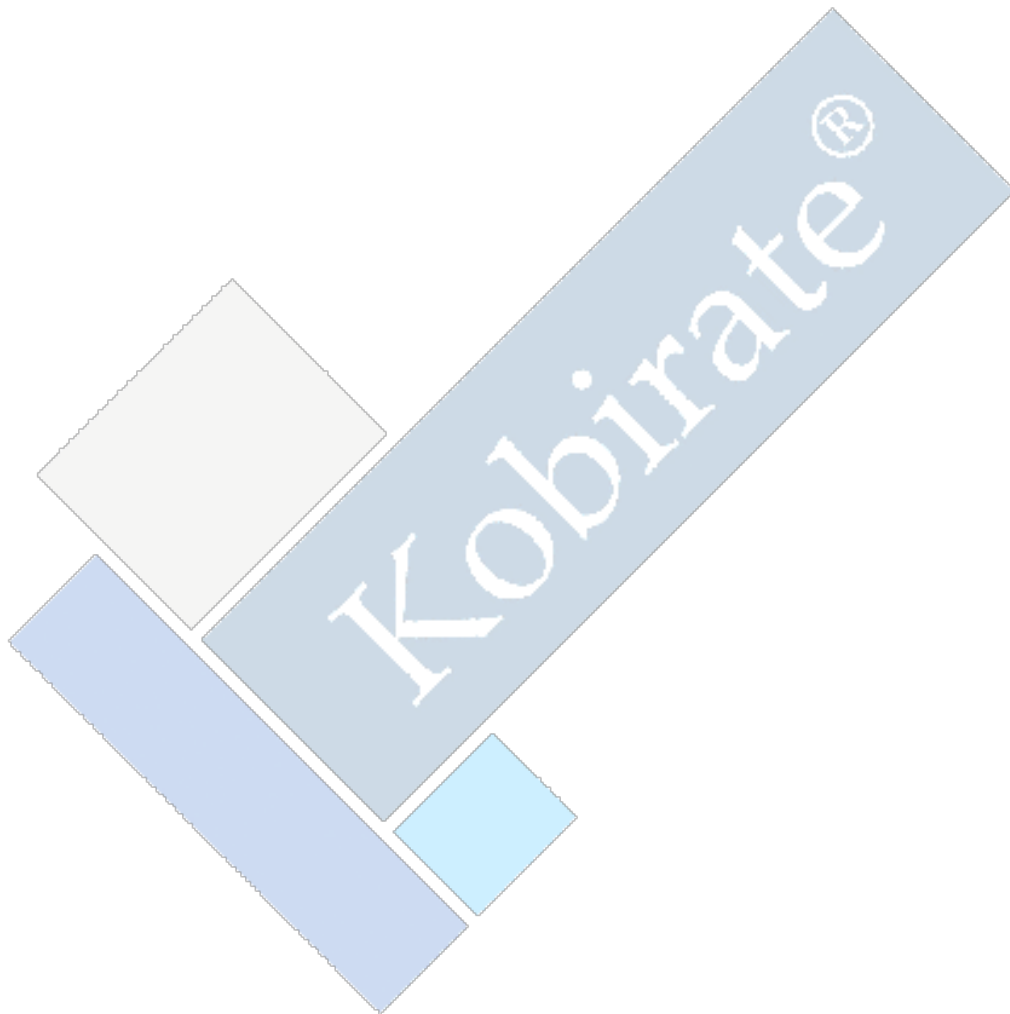
It has been seen that actions have been taken in compliance with the principle, which states that stock-options or payment plans based on corporate performance should not be used for remuneration of independent members of board. The emoluments of independent directors are sufficient to protect their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

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

Remunerations and all other benefits provided to the members of the Board of Directors or executives with administrative responsibility are disclosed together. This practice does not meet the recommendation "it is essential to

make a statement on a person-to-person basis" specified in the principles.

Performance evaluations of the board of directors are not made on the basis of both board and member. In addition, there is no practice of rewarding or dismissing the members of the board of directors based on their performance.



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

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

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

