



Corporate Governance Compliance Rating Report



İskenderun Demir ve Çelik A.Ş.

25 August 2020

Validity Period 25.08.2020-25.08.2021

LIMITATIONS

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

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

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 63 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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

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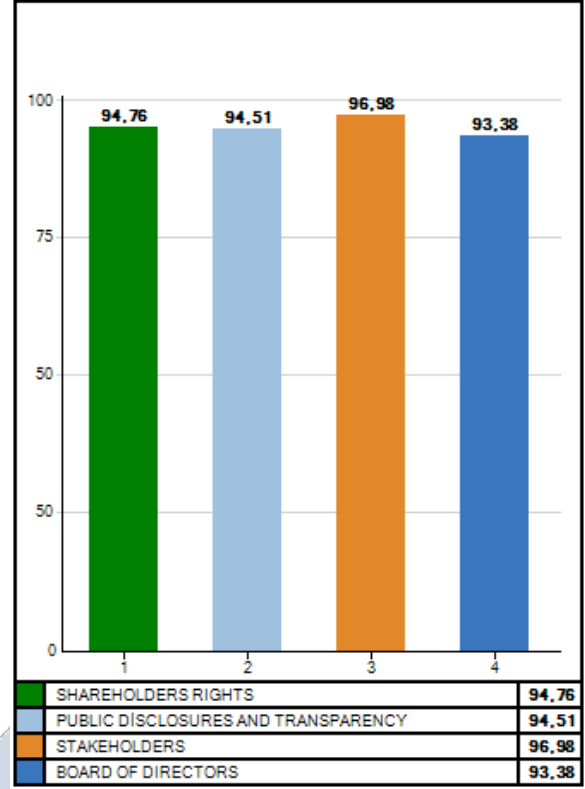
İSKENDERUN DEMİR VE
ÇELİK A.Ş.

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

9.45

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RATING SUMMARY

The process of rating of compliance of İskenderun Demir ve Çelik Anonim Şirketi (ISDEMİR) with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents, interviews held with executives and persons involved, and of other reviews, according to Capital Markets Board's (CMB) Corporate Governance Principles Communiqué no II-17.1 published by the Official Gazette edition 28871 on 03.01.2014.

According to CMB decision dated 13.01.2015 and numbered 1/3, ISDEMİR is on the list of BIST 1st Group Companies. At the end of examination of 408 criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, as specified in the CMB's Corporate Governance Principles, and

according to the methodology of Kobirate A.S. for "BIST First Group Companies", the Corporate Governance Compliance Rating Grade of ISDEMİR is determined as **9.45**.

This result signifies that the company has achieved significant compliance with CMB's Corporate Governance Principles. Internal control systems have been formed and running, although there is room for a little improvement. Possible risks for the company have determined to significant degree and they can be controlled. Shareholders' rights are being treated fairly. Public disclosure activities and transparency are at the highest level. Stakeholders' rights are being treated fairly. The structure and working conditions of board of directors are compliant with corporate governance principles; but although they don't pose great risks, there is need for some improvement within the framework of corporate governance principles.

With this result, the ISDEMIR deserves to be included in the BIST Corporate Governance Index.

In view of rating process under main headings in brief;

It has been seen that the company has achieved a rather good level of compliance in the section of shareholders where it has obtained a grade of **94.76**. Healthy relations with shareholders through Investor Relations Department, duly convention of general assemblies, having prepared a dividend policy, which is disclosed to public and having no restrictions on transfer of shares are salient positive achievements. Investor Relations Department reports to ISDEMIR Accounting Department and operates in coordination with Erdemir Investor Relations Department. In parallel to this organization the Manager of Investor Relations Department of Erdemir has been appointed as member of Corporate Governance Committee, in accordance with CMB's Corporate Governance Principles Communiqué no II-17.1.

The fact that ISDEMIR, who has received a grade of **94.51** for the section of Public Disclosure and Transparency, has prepared its disclosure policy, presented it to the general assembly and published it on its corporate website is in compliance with principles. The corporate website has been designed to allow investors to access many updated information that they may need and referred by the principles. It has been found that the annual report is sufficient in terms of content and information is supported with graphics. Thanks to these policies the Company has achieved a significant level of compliance with the principles in this section.

In the section for Stakeholders the Company has achieved a grade of **96.98**.

In this section the Company has achieved significant compliance with CMB's Corporate Governance Principles. A human resources policy has been prepared; regulations have been made and disclosed to the employees

including recruitment, job descriptions, performance appraisal, promotion, awarding, leave and social benefits. Training policies have been determined, annual programs have been prepared and employees have been briefed about them.

It has been observed that business processes and standards are set forth and that the clients and suppliers are informed of these processes.

Procedures for outsourcing products and services are laid down in written documents.

Ethical Business Rules and Working Principles have been set forth and introduced to employees to act pursuant to such rules.

The Company has disclosed its sustainability policies with the public. Corporate social responsibility projects are disclosed to public through its corporate website and annual reports.

As for the Board of Directors Section, the Company's grade is **93.38**, indicating general compliance with the CMB's Corporate Governance Principles.

It has been determined that the Board has set company's strategic goals, supervises performance of company management, pays further attention to the company affairs to be in compliance with the legislation, the Articles and internal regulations.

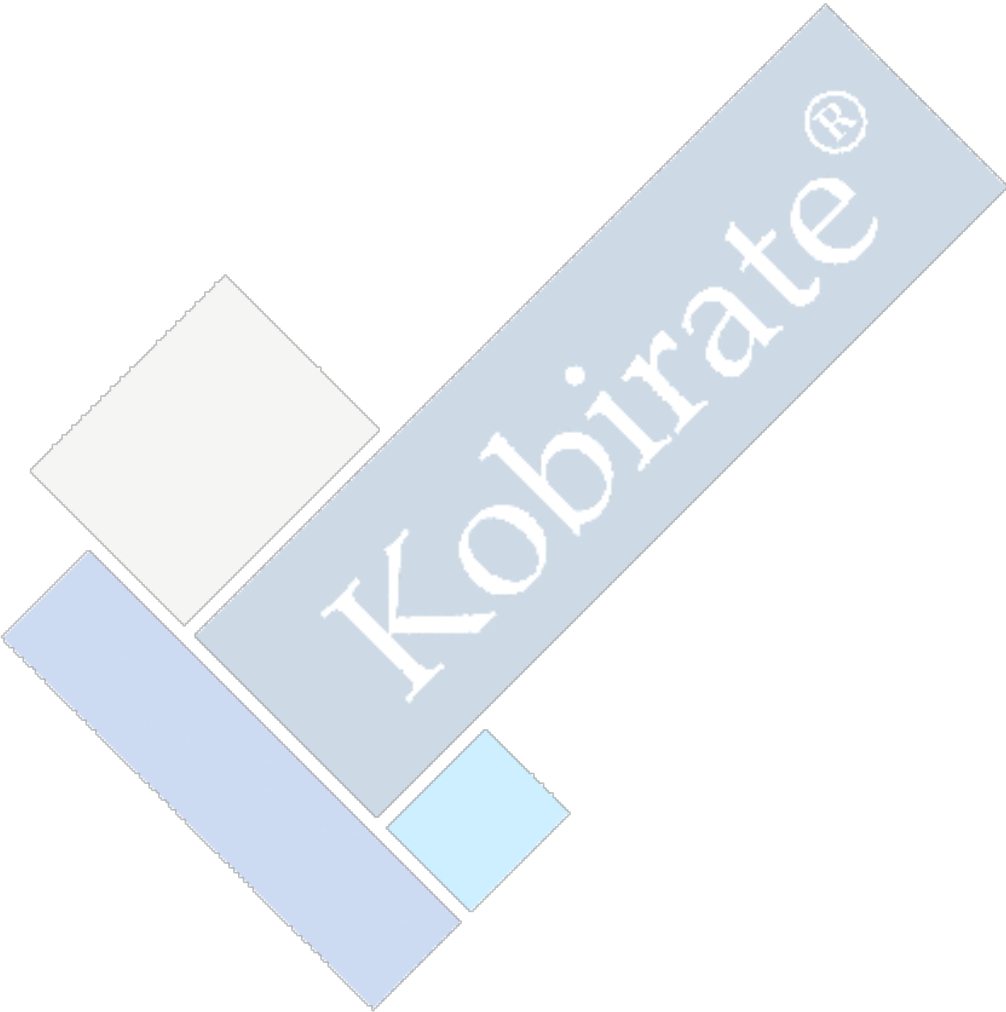
The posts of Chairman of the Board and General Manager are held by separate individuals. There is no one top manager in the Company who is solely authorized to make decisions.

It has been seen that the Board convenes regularly and procedures for meetings are incorporated in both the Articles of Association and internal directives.

It has been observed that the Audit, Corporate Governance and Early Detection of Risk Committees, which are referred by the Principles, have been formed and their

working principles have been laid down in written documents.

On the other hand, there are other important indications of compliance with the Principles such as the fact that Board comprises non-executive members except one, adequate number of independent members and that guidelines for remuneration of top executives are set forth and have been disclosed to shareholders in a separate item at the general assembly.



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. Since then, these principles have been regarded as international references for decision – makers, investors, shareholders, companies and other stakeholders throughout the world.

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

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

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

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

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

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

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

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

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

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

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

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

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

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

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

The grade to be assigned by the Corporate Governance Rating Committee to the firm

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

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



Company Name	: İskenderun Demir ve Çelik Anonim Şirketi
Company Addressi	: Karşı Mahalle Şehit Yüzbaşı Ali Oğuz Bulvarı No: 1 Payas / HATAY
Company Phone	: (0326) 7584040
Company Facsimile	: (0326) 7583838
Company's Web Address	: www.isdemir.com.tr
Date of Incorporation	: 12/11/1968
Registered Number	: 1599
Paid in Capital	: 2.900.000.000 TL
Line of Business	: Production of hot rolled sheet and long product mills (Billet and Coil).
Company's Sector	: Manufacturing Industry / Main Metal Industry

Company's Representative in Charge of Rating:

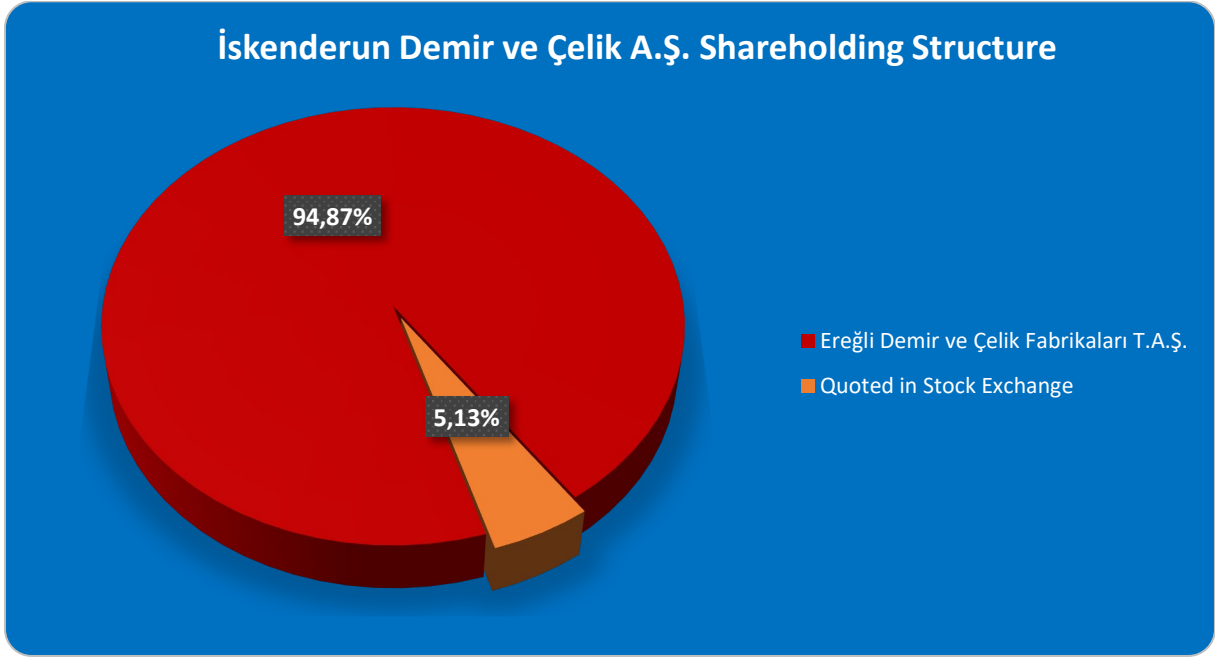
İdil ÖNAY ERGİN

Investor Relations Manager

investorrelations@erdemir.com.tr

(0216) 578 8061

Shareholder Structure (as of the report date)



Source: www.kap.org.tr

Shareholder Name	Share (000 TL)	Share (%)
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	2.751.326	94,87
Quoted in Stock Exchange	148.674	5,13
Total	2.900.000	100,00

Source: www.kap.org.tr

Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
ATAER Holding A.Ş. (Representative: Süleyman Savaş ERDEM)	Chairman of Board of Directors	Non-Executive
ERDEMİR Madencilik Sanayi ve Ticaret A.Ş. (Representative: Toker ÖZCAN)	Deputy Chairman of Board and Managing Director	Executive
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Representative: Bekir Emre HAYKIR)	Board Member	Non-Executive
OYKA Pazarlama Hizmet ve Turizm A.Ş. (Representative: Baran ÇELİK)	Board Member	Non-Executive
ERDEMİR Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. (Representative: Güliz KAYA)	Board Member	Non-Executive
ERDEMİR Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (Representative: Aslıhan DÖĞER)	Board Member	Non-Executive
Yunus ARINCI(*)	Independent Board Member	Non-Executive
Ali FİDAN	Independent Board Member & Chairman of Early Detection of Risk Committee, Member of Audit Committee, Member of Corporate Governance Committee	Non-Executive
Kurtuluş Bedri VAROĞLU	Independent Board Member & Chairman of Corporate Governance Committee, Chairman of Audit Committee , Member of Early Detection of Risk Committee	Non-Executive

(*)He resigned from his positions as Member of Board and his memberships in committees on 17.07.2020 and no appointment to replace him has been made yet.

Committees of Board of Directors:

Corporate Governance Committee

Name/Surname	Title	Position
Kurtuluş Bedri VAROĞLU	Independent Board Member	Committee Chairman
Ali FİDAN	Independent Board Member	Committee Member
İdil ÖNAY ERGİN	Investor Relations Manager	Committee Member

Audit Committee

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

Early Detection of Risk Committee

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

Top Management

Name / Surname	Title
Mesut KEYFLİ	General Manager
Sabri KILIÇ	Executive Vice President - Operations
Mehmet PEHLİVAN	Executive Vice President -Financial Affairs Executive Vice President (Acting) - Purchasing

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

	2018/12 (000 TL)	2018/12 (000 USD)	2019/12 (000 TL)	2019/12 (000 USD)	Change % (TL)
Current Assets	10.563.284	2.007.885	9.778.890	1.646.222	-7,43
Trade Receivables	1.341.234	254.944	1.062.852	178.925	-20,76
Inventory	4.087.128	776.888	4.023.192	677.282	-1,56
Non-Current Assets	10.418.280	1.980.323	11.843.311	1.993.756	13,68
Total Assets	20.981.564	3.988.208	21.622.201	3.639.978	3,05
Current Liabilities	3.141.004	597.047	2.943.097	495.453	-6,30
Non-Current Liabilities	2.112.792	401.602	2.487.377	418.736	17,73
Share Capital	2.900.000	1.474.105	2.900.000	1.474.105	-
Equity	15.727.768	2.989.559	16.191.727	2.725.789	2,95

Source: Financial Statements for İsdemir's period between 01.01.2019 and 31.12.2019 and Independent Audit Report

Revenue Comparison of Company's Certain Selected Items for yearends of last two years

	2018/12 (000 TL)	2018/12 (000 USD)	2019/12 (000 TL)	2019/12 (000 USD)	Change % (TL)
Revenue	15.881.960	3.290.916	16.453.432	2.902.096	3,60
Cost of Sales	(10.709.716)	(2.219.170)	(13.602.013)	(2.399.156)	27,00
Operational Profit/Loss	5.039.974	1.044.337	2.605.034	459.482	-48,31
Profit/Loss Before Tax	5.756.252	1.167.962	3.055.819	531.862	-46,91
Profit/Loss for the Period	4.108.879	851.405	2.155.428	380.180	47,54

Source: Financial Statements for İsdemir's period between 01.01.2019 and 31.12.2019 and Independent Audit Report

**Bottom and Peak The Closing Values of Company's Shares traded on the BIST in Last One Year
16.08.2019-16.08.2020**

Bottom (TL)	Peak (TL)
5,85- (17.03.2020)	8,23- (21.01.2020)

Source: İskenderun Demir ve Çelik A.Ş.

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

STAR MARKET-GROUP 1

BIST DIVIDEND / BIST 100 / BIST SUSTAINABILITY / BIST DIVIDEND 25 / BIST INDUSTRIAL / BIST METAL MAIN / BIST 100-30 / BIST STAR

Source: www.kap.org.tr

Information about Company's Activities

One of the OYAK Mining Metallurgy Group companies, İsdemir is our country's third oldest integrated iron and steel plant by its establishment date and the largest by its long product manufacturing capacity. İsdemir is Turkey's only integrated plant that produces long and flat products with a hot rolling capacity of 3.5 million tons/year commissioned in 2008.

İsdemir was established on 3 October 1970 by the Mediterranean coast in the south of Turkey, in Payas (Yakacık), 17 km to İskenderun. At the time, the plant was founded on a total area of 16.75 million m², including social facilities (plant's area: 6.8 million m²).

Commissioned in 1975 with a steel bloom production capacity of 1.1 million tons/year, İsdemir's production capacity was increased with a plant extension to 2.2 million tons/year as of 1985.

Founded to produce long products such as pig iron, blooms, billets and reinforcing bars at international standards, İsdemir uses coke – sinter – blast furnace – steelworks – continuous casting and hot rolling processes for production.

Products are sold to the national market and exported all over the world, primarily to Southern Europe and Middle Eastern countries.

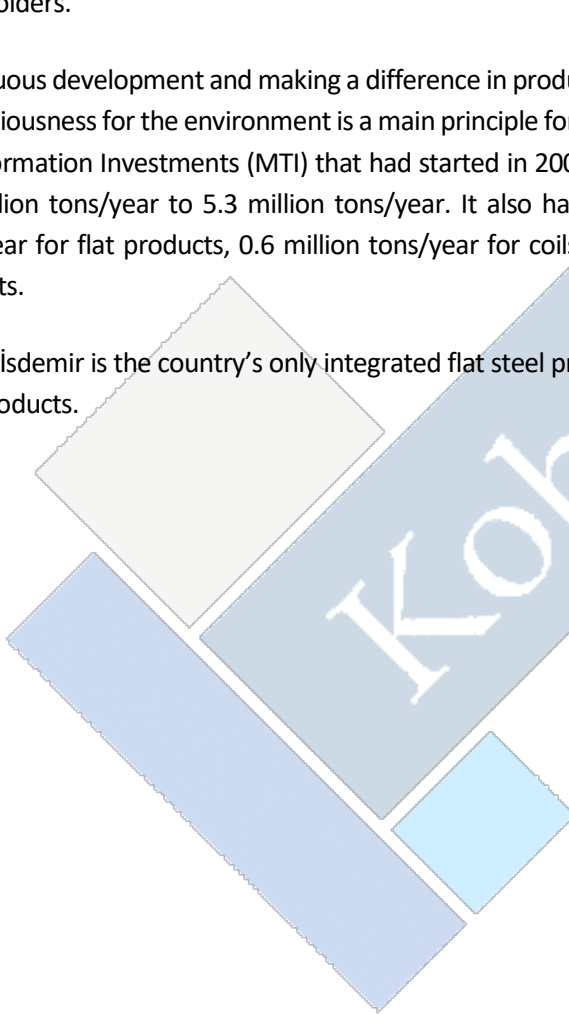
Thanks to Modernization and Transformation Investments (MTI), İsdemir started to produce flat products in addition to long products as of August 2008.

Playing a major role in increasing the production capacity for flat products, which are vital for development of the Turkish steel industry, İsdemir produces billets, wire rod, hot rolled coils, slab and pig iron. In addition to these products, byproducts including coke, oxygen, nitrogen, argon, ammonium sulfate, granulated slag, tar and benzol are also produced.

All shares of İsdemir were transferred to Erdemir by the Turkish Privatization Administration with a Share Transfer Agreement dated 31 January 2002, on the condition that investments would be made for the transition to flat production. Following the acquisition of Erdemir by Oyak, İsdemir started to operate under OYAK as of 27 February 2006. Currently, 94,87% of İsdemir shares are owned by Erdemir and 5,13% by other shareholders.

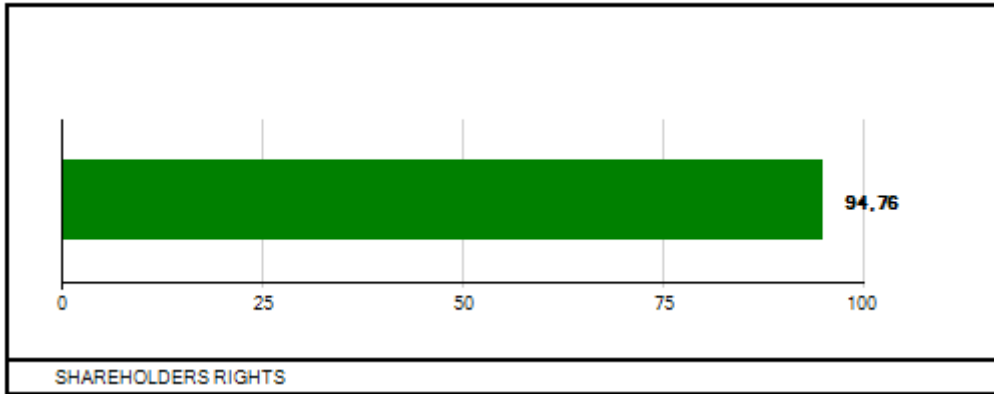
Continuous development and making a difference in products and services by using novel technologies with a consciousness for the environment is a main principle for İsdemir, which completed its Modernization and Transformation Investments (MTI) that had started in 2004, and increased its initial liquid steel capacity of 2.2 million tons/year to 5.3 million tons/year. It also has an installed production capacity of 3.5 million tons/year for flat products, 0.6 million tons/year for coils and 2.5 million tons/year for billets as finished products.

Today, İsdemir is the country's only integrated flat steel producer that is capable of producing both flat and long products.



4. RATING SECTIONS

A. SHAREHOLDERS



Overview

- ✓ Investor Relations Department has been established to continue healthy relations with shareholders.
- ✓ General Assemblies are held in accordance with relevant laws, regulations and the Articles of Association.
- ✓ Donations and Aid policies of the company have been prepared, presented for the approval of the General Assembly and disclosed to public.
- ✓ Shareholders have been informed about the amount and beneficiaries of donations and aids at the general assembly meeting.
- ✓ There are no regulations that make the use of voting right difficult
- ✓ Dividend policy has been prepared, presented for the approval of the General Assembly and disclosed to public.
- ✓ Dividend advance has been regulated in the Articles of Association.
- ✓ There is no restriction on transfer of shares.
- ✗ **General assembly meetings are not open to public.**
- ✓/✗ **There is a privilege of nominating candidates in the voting right in favor of Privatization Administration.**

- ✓/✗ It would be appropriate to add an article to the Articles of Associations stating that general assembly meetings will be held open to public.
- ✓/✗ Extending minority rights in the Articles of Association would strengthen compliance with Corporate Governance Principles.

In this section, as stated CMB's Corporate Governance Principles, the Company was evaluated on **115** different criteria, including **Facilitating the Exercise of Shareholders' Rights**, shareholders' right to **Obtain Information and to Examine**, shareholders' right to **Attend the General Assembly**, shareholders' **Voting Rights**, **Minority Rights**, shareholders' **Dividend Rights** and shareholders' right to **Transfer of Shares** to whomever they want, whenever they want. The company's grade for this section is **94.76**.

a. Facilitating the Exercise of Shareholders' Rights

Investor relations are managed by Erdemir Investor Relations Department and reports to İbrahim Emrah SİLAV, Financial Management and Financial Affairs Group Vice President. An Investor Relations Unit was established in İSDEMİR on 07.12.2018. Therefore Investor Relations activities are carried out by İdil ÖNAY ERGİN (Erdemir Investor Relations Department

Manager) and Ali Seydi BÖLER (Investor Relations Unit Chief).

Because of this organizational structure, ERDEMİR Investor Relations Department Manager İdil ÖNAY ERGİN has also been appointed as member of İSDEMİR's Corporate Governance Committee and it was disclosed to public with a Material Event Disclosure dated 03.04.2019. ERGİN has licenses of Capital Market Activities Advanced Level and Corporate Governance Rating Specialist.

It has been observed that the staff working at Investor Relations Unit 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.

It has been determined that Investor Relations Department reports to the Board of Directors and makes a presentation about its operations regularly once a year. A presentation about activities of 2019 was made at Board of Directors meeting on February 11, 2020.

All data that might affect the exercise of shareholders' rights are currently accessible for the shareholders on the corporate Internet website.

In this subsection the company has achieved a rather good level compliance with the principles.

b. Right to Obtain Information and to Examine

The information required for the proper exercise of shareholders' rights are presented to the shareholders and the company's website www.isdemir.com and <https://www.oyakmadenmetalurji.com.tr/> are used efficiently to this end.

All information concerning the company has been given on time, truthfully and completely. There have been no warnings or penalties on this subject given by Regulatory authorities.

It has been learned that all applications and questions by shareholders were answered through phone and e – mail without any discrimination. An average of almost 150 questions per month, coming from shareholders, corporate investors and investment institutions' analysts were answered in 2019. It has been disclosed that same amount of questions continued to come in 2020. No meeting took place with Investors and Analysts in 2019 and in 2020 as of June.

The "Disclosure Policy", approved by the Board of Directors and presented for the approval of general assembly on 21.03.2019, appears on the website.

Shareholders' right to obtain and examine information is explained in detail in the aforementioned policy. It has been understood that in accordance with company's disclosure policy, all shareholders, potential investors and analysts are treated equally in terms of their right to obtain and examine information and the company takes care to send its statements to everyone simultaneously and with the same content. Within the framework of information sharing, all information that would be of interest to shareholders and market players are disclosed to public through material event disclosures and these material event disclosures are published on company's corporate website.

There is no regulation or practice of cancelling or restricting shareholders' right to obtain and examine information imposed by the Articles of Association and/or a decision by any department.

Although there are no regulations and practices to make difficult for shareholders to use their right to demand assignment of a special auditor in the general assembly, there is no provision in the Articles of Association on this subject either.

c. General Assembly

Thanks to its practices at the process of general assembly meeting, the company has

achieved rather good compliance with many of the principles in this subsection.

General assembly meeting to discuss Company's 2019 activities was planned for 31.03.2020 and invitation was made on 05.03.2020. However it was cancelled by decision of Ministry of Trade Domestic Trade Directorate and other regulations due to the global pandemic. General assembly meeting took place on 14.07.2020. Its invitation was made on 19.06.2020 through Public Disclosure Platform, Central Registration Office e – general assembly system, Turkish Trade Registry Gazette dated 22.06.2020, No 10102. Decision for the first meeting, its cancellation, invitations for both meetings and other processes were carried out in accordance with procedures. The invitation was made properly, as requested by the principles, 3 (three) weeks before the date of meeting.

It has also been found that financial statements, annual report, audit reports and Board of Directors' dividend distribution proposal, all of which should be ready for the review of shareholders according to the article 437 of the Turkish Commercial Law no 6102 and other statements and announcements that corporation should make in accordance with regulations and Corporate Governance Principles, have also been presented to shareholders 3 weeks before the General Assembly.

In order to increase participation of shareholders, to avoid inequalities among shareholders and enable them to participate with minimum costs, general assembly meetings are held in cities underlined by the Articles of Association.

Informing documents that explain General Assembly agenda items have also been put on the corporate website, simultaneously with the announcement of meeting. Information about distribution of shares and voting rights, as well as privileged shares within the company's capital, written requests of shareholders from Investor Relations Department to be put on the agenda, rejected requests and reasons for

rejection are also included in the briefing document. The document also contained many information that corporate government principles require to be disclosed to shareholders and public.

When the agenda was being prepared, special care was given to express the items clearly in order not to cause different interpretations and to avoid using expressions like "other" or "various".

Managers and auditors authorized to inform the attendees and to answer questions attended to the meeting. Attending officials included Toker ÖZCAN (Deputy Chairman of Board and Executive Member), Güliz KAYA (Member of Board), Mesut KEYFLİ (General Manager), Mehmet PEHLİVAN (Vice President for Financial Affairs), Buğrahan ELDEKLİ (Group Legal Director), Avni SÖNMEZYILDIZ (Financial Control and Reporting Director), Ulaş YİRMİBEŞ (Consolidation and Reporting Manager), İdil ÖNAY ERGİN (Investor Relations Manager), Begüm OLGAC (Investor Relations Specialist), Mehmet GÖNÜLLÜ (Investor Relations Specialist) and Osman ARSLAN (Representative of Independent Audit Company).

It has been learned that at the meetings the items on the agenda are separately voted and the results are shared with shareholders before the closure of the meeting. Shareholders or their trustees who physically attend the meeting – not in the electronic environment – can vote by raising their hands. It has also been determined that the chairman of the meeting takes care to have the issues of the agenda expressed objectively, comprehensively, clearly and simply. Shareholders are able to express their opinions and ask questions under equal conditions.

It has been learned that the chairman of the meeting lets all the questions of shareholders to be answered directly at the general assembly meeting, except those that are considered as commercial secret.

Allowing majority shareholders, board members, managers with administrative responsibilities, their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in commercial activities in the same line of business with the company or its subsidiaries in their own name or on behalf of someone else or joining another company, who operates in the same line of business, as unlimited partners was included in the general assembly agenda as a subject.

Shareholders were informed about asset, service and responsibility transfer transactions and about guarantees, pledges, mortgages and bails or provided revenue or interest given in favor of third persons, in accordance with the articles of CMB's Corporate Governance Communiqué numbered II-17.1. With another agenda item, shareholders were also informed on amount of all aids and donations given in the period, as well as their beneficiaries.

Corporate Governance Principles recommend that general assembly meetings must be open to public including stakeholders and media, without the right to address the meeting. Although General Assembly meeting minutes and list of attendees are disclosed to public through corporate website and electronic general assembly system (EGKS) in accordance with relevant regulations, having stakeholders and media invited to general assembly meetings would carry the compliance with principles to higher level.

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 provided for every shareholder.

According to the Articles of Association of the company each share brings right to cast one (1) vote.

It is possible for the shareholders to exercise their voting right in person or by proxies - shareholder or not - at the general assemblies, the shareholders are provided with the specimen proxies to be used for this purpose through Public Disclosure Platform, at Company's head office and on corporate website.

According to İsdemir's Articles of Association, Company's Capital is divided into A and B Group shares. 2,000 (two thousand) registered shares, corresponding to TRY 20 (Twenty Turkish Liras) of Company's Capital comprise A Group shares and they belong to ERDEMİR. 2,899,999,980 (Two billion eight hundred and ninety nine million nine hundred and ninety nine thousand nine hundred and eighty) shares corresponding to TRY 2,899,999,980.00 (Two billion eight hundred and ninety nine million nine hundred and eighty TL) Company's Capital comprise B Group shares. Privatization Board has established usufruct over A Group shares with all rights it entails until an opposite decision is made by it. One of the Board members is elected by the General Assembly from among candidates nominated by the Privatization Board, holder of usufruct representing A Group shares. Board Member from Presidency of Privatization Board (which has usufruct over A Group shares) or anyone that this member points out attends to General Assembly meeting. According to Article 21 of Articles of Association, some decisions can only be taken with supporting vote of the Representative of the Privatization Board, which has usufruct over A Group shares. Otherwise decisions cannot be valid.

General Assembly briefing document contains detailed information on distribution of company shares, voting rights that come with the shares and privileges in voting rights.

The company doesn't have a subsidiary with mutual relationship which brings domination.

Erdemir's practices are compatible with principles, except for the privilege in the voting right.

e. Minority Rights

There has not been any violation of exercise on minority shareholders' rights as attendance to the general assembly, representation by proxy, imposition of no upper limit for voting rights. In this manner it is found that care is given to the exercise of minority rights.

However, there is no regulation to extend the scope of minority rights with the Articles of Association or to give these rights to those who own an amount lower than 1/20 of the capital.

f. Dividend Right

Method for distribution of dividend is described in Article 33 of Articles of Association.

The Article says:

"General Assembly is authorized to make decision for not distributing dividend, as well as partial or whole distribution of it, within the scope of dividend policies, save for the CMB regulations.

Practices on general legal reserves and dividend account are conducted within the scope of Turkish Commercial Code, CMB and relevant regulations.

Until legally obligatory reserves and dividend for shareholders are allocated; no other reserve sources can be put aside, profits can't be transferred to next year, no decisions can be made to give dividend to usufructuary right owner, members of board and employees. In fact, until the determined dividend is given no distribution can be made for these people.

Within the scope of Turkish Commercial Code, CMB directives and relevant regulations,

General Assembly is authorized for distribution of Dividend Advance.

Dividend that is distributed in accordance with this article of Articles of Association can't be taken back. Only exception for this is to reclaim dividend if dividend advance is already distributed."

Pursuant to the criteria laid down by CMB directives, by the Turkish Commercial Code and by relevant articles of Articles of Association, the Company has prepared its Dividend Policy and disclosed it to public in the electronic environment.

Dividend policy was prepared within the scope of CMB's Dividend Communiqué No II-19.1, accepted at the Board of Directors meeting on 02.03.2015, numbered 339 and presented for the approval of shareholders at the general assembly on 30.03.2015. Dividend policy contains the minimum data enabling the investors to foresee the procedure and guidelines for distribution of profit to be generated by the company in future periods.

There are no privileges in the distribution of dividend.

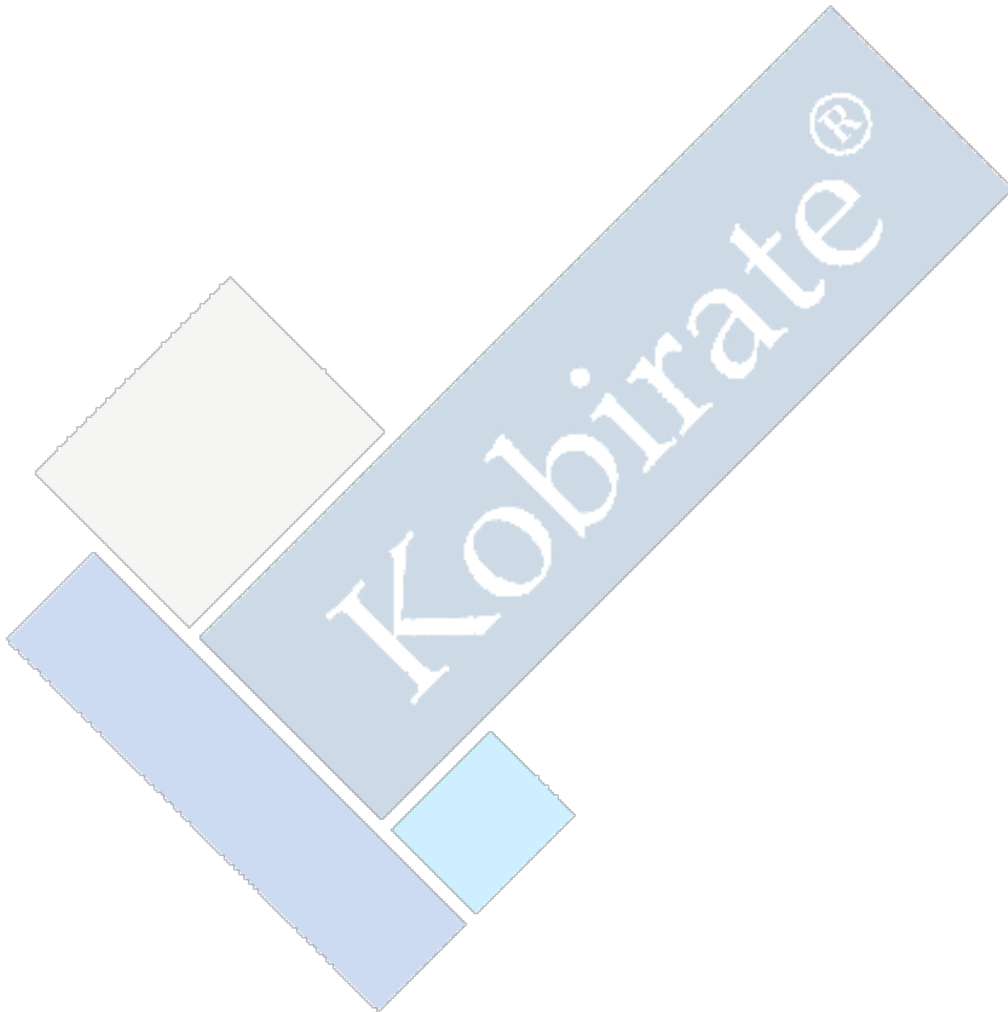
According to financial statements for 2019, prepared within the scope of CMB regulations, the Company has achieved a distributable net period profit of TRY 2,155,427,770 (TRY 2,157,339,492 with donations) and earned TRY 3,036,781,266 net distributable period profit according to legal records. At the Board meeting on 19.06.2020 it was decided to distribute TRY 522,000,000 of this profit to shareholders in one go and to present this recommendation for the approval of shareholders at the General Assembly meeting. Board's dividend distribution recommendation was discussed and approved at the General Assembly meeting on 14.07.2020. Dividend distribution to shareholders was started on 16.07.2020.

In this subsection, İsdemir has achieved a very good level compliance with the principles.

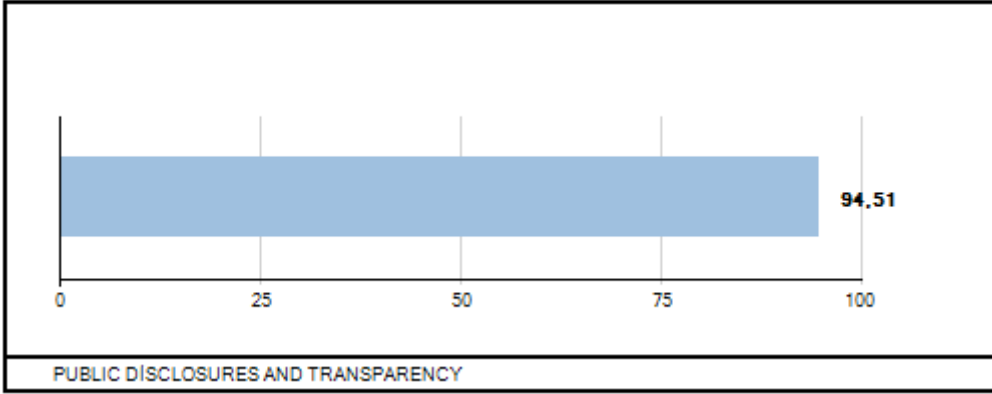
g. Transfer of Shares

There are no provisions in the Articles of Association that restrict transfer of shares. Transfer of company shares is subject to Turkish Commercial Code, CMB Law and relevant regulations.

İsdemir's practices in this subsection meet the requirements of Corporate Governance Principles exactly.



B. PUBLIC DISCLOSURE AND TRANSPARENCY



Overview

- ✓ Disclosure policy has been prepared, presented for the approval of general assembly and disclosed to public in electronic environment.
- ✓ The corporate website is being used effectively and in transparent manner as a tool to update the public within the context of the principles.
- ✓ Information in the website has also been prepared in English.
- ✓ Annual report contains tables showing the amount of commercial and financial relations with indirect or direct subsidiaries within the period.
- ✗ Annual report should include responsibility declarations of board members who are responsible for financial reporting.
- ✓/✗ It would be appropriate to give information in the annual report on whether or not there were significant purchases or sales of assets during the period.

As for this section, the Company has been assessed by **88** 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 **94.51**.

İsdemir conducts its public disclosures within the framework of its Disclosure policy, prepared by the Board of Directors and disclosed to public.

Disclosure Policy contains information on what to be disclosed to public in addition to those required by the legislation, how, in what frequency and by which channels such data will be disclosed to public, as well as the method to be used to respond to questions directed to the company.

Disclosure Policy includes basic principles for monitoring news and speculations about the Company, published in press or news portals and making statements about them, precautions to maintain privacy on subjects until material event disclosure is made, principles to determine officials with administrative responsibilities and principles on disclosures about assessments for future. These are all disclosed to public.

Responsible and authorized signatures for company's public statements are İbrahim Emrah SİLAV (Financial Management and Financial Affairs Group Vice President) and Avni SÖNMEZYILDIZ (Director of Financial Control and Reporting). These officials are charged with managing and monitoring all issues concerning public disclosures.

Company's independent audit for 2019 was conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (Member of Deloitte Touche Tohmatsu Limited). There are no cases where the independent audit avoided expressing opinion, expressed opinion with conditions 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 Audit Committee's recommendation and General Assembly's approval, it was decided that 2020 audit to be carried out by the same company within the framework of CMB regulations, Turkish Commercial Code and other relevant regulations.

a. Corporate Website

The corporate website (www.isdemir.com.tr) and (<https://www.oyakmadenmetalurji.com.tr>) serve as active and effective platforms for public disclosure and the content of corporate website is continuously updated. The information on the corporate website is consistent with announcements made pursuant to the relevant regulation and doesn't contain conflicting and missing information.

The corporate website covers commercial registry details, current shareholder and management structure, dates and numbers of commercial registry newspapers where changes were published and final text of the company's Articles of Association, material event disclosures, financial reports, annual reports, agendas of the general assemblies, lists of attendees, proceedings of the assembly meetings, specimen Proxy, dividend policy, disclosure policy, remuneration and compensation policy, aid and donation policy, sustainability, human resources policy, ethical rules prepared by the Company and information requests received by the Company under the title of frequently-asked questions and disclosures for customers and suppliers.

The information on the website is also published in English for the use of international investors.

Financial statements, which has to be disclosed to public pursuant capital market regulations and disclosures are provided on the Public Disclosure Platform in both Turkish and English simultaneously. In order to help people to make decisions, English text is summarized in a brief, correct, complete, direct, comprehensible and sufficient manner to help decision making process and it is consistent with the Turkish text.

It is explained on the corporate website that due to its shareholding structure, there is no real person ultimate majority shareholder in the company. The main shareholder of the Group is Ereğli Demir ve Çelik Fabrikaları T.A.Ş (ERDEMİR) and ultimate main shareholder is Armed Forces Assistance (and Pension) Fund (OYAK).

It would be appropriate to have company's policy of repurchasing its shares and forms used in share purchase proposals or collecting proxies on the corporate website.

İsdemir has achieved very good level of compliance with Corporate Governance Principals in this subsection.

b. Annual Report

İsdemir prepares two annual reports; one in reference to CMB's Communiqué No II.14.1 and one integrated on activities of OYAK Maden Metalürji Group. It is seen that board of directors has prepared the annual report in such a detail that it gives public access to sufficient information about company's activities. Annual reports of the last five years are shared with the shareholders and the public in electronic environment.

The annual report for the period that ended on 31.12.2019 was signed and approved by members of Board of Directors with the Board decision dated February 07, 2020 and numbered 503.

The content of annual reports comprises;

- CV's and terms of board members and senior managers,
- Information about company's sector and its position within the sector,
- Information about company's financial resources, qualifications and amounts of its issued capital market tools,
- Changes made on the articles of the Articles of Association during the period and their reasons,
- Corporate Governance Principles Compliance Report,
- Independent audit report about the annual report.

- information about whether or not there were asset purchases or sales within the period;

it would take compliance with Corporate Governance Principles to a higher level.

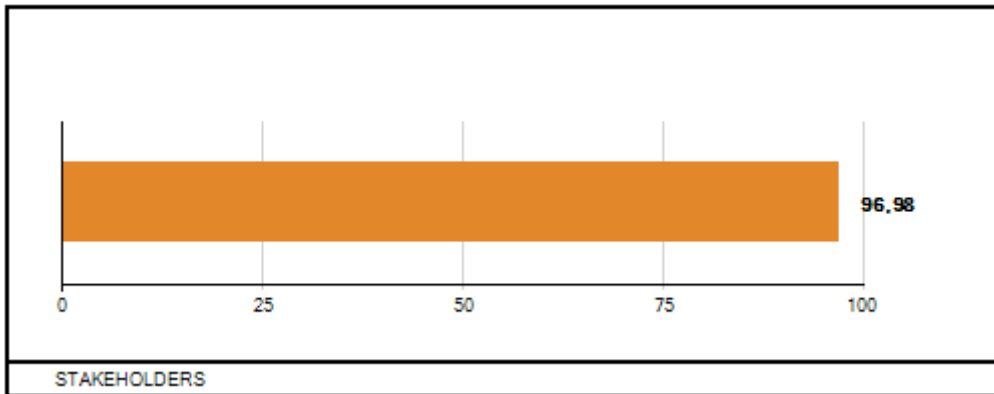
In addition to subjects quoted in regulations and other parts of corporate governance principles, annual reports also include information on;

- Board members' and managers' ongoing jobs outside the company,
- Declarations of independence by independent board members,
- Members of committees within the board of directors and meeting frequencies of these committees,
- Changes of regulations, which might significantly affect company operations,
- Ongoing important lawsuits against the company and their possible conclusions,
- Social rights and professional training of employees and corporate social responsibility activities,
- The need for approval in advance by the general assembly for majority shareholders, board members, managers with administrative responsibilities their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in competitive commercial activities.

However if the annual report includes:

- responsibility declaration of board of directors and

C. STAKEHOLDERS



Overview

- ✓ Ethical Rules and Work Principles have been prepared and published in the electronic environment
- ✓ There are no regulations that make it difficult for stakeholders to use their rights.
- ✓ Human resources policy has been prepared and many internal regulations concerning customers and stakeholders have been made.
- ✓ Remuneration and compensation policies have been formed for employees, presented for the approval of general assembly and published on company's corporate website.
- ✓ Training procedures have been prepared for employees.
- ✓ There are no complaints by employees about discrimination or being unable to use their rights.
- ✓ Blue collar workers are unionized.
- ✓ Corporate social responsibility policies are prepared and published on corporate website.
- ✓ Care is given to confidentiality of information about customers and suppliers on trade secret basis.

- ✓/✗ Developing mechanisms and models to support employees' and stakeholders' participation to company management and putting

them in the Articles of Association and internal regulations would be appropriate.

As for this section, the Company has been assessed by 57 different criteria under the headings of **Corporate Policy on Stakeholders, Supporting the Participation of Stakeholders in Company Management, Human Resources Policy of the Company, Relations with Clients and Suppliers, Ethical Rules and Social Responsibility** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of 96.98.

a. Corporation's Policy 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 has been determined that Isdemir has put stakeholders' rights, regulated by provisions and contracts, under protection in its transactions and operations.

It has been concluded that the company respects the stakeholders' rights, 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, company's reputation and means. Many internal regulations were prepared to this end.

Compensation Policy towards employees has been developed, presented to the shareholders at the general assembly and disclosed to public via corporate website.

It has been understood that stakeholders are adequately informed on company policies and procedures to protect their rights. White collar employees are informed through regular periodical briefing meetings and intranet statements about company practices. Blue collar employees are informed through union representatives.

Ethical issues are solved by Ethical Board of Oyak Mine Metalurgy Group. Necessary mechanisms have been formed for stakeholders to convey company's transactions against legislations and ethically improper to Corporate Governance or Audit Committees. The method to do this and contact information for the Ethical Board have been explained to all relevant parties and public within the scope of Ethical Rules ve Work Principles.

In this subsection İsdemir has achieved significant compliance to Principles.

b. Supporting Participation of Stakeholders in Corporation's Management

There are no arrangements to support employees' and other stakeholders' direct participation to company management in the Articles of Association or internal regulations. However, on major issues that have impacts on stakeholders, their opinions are taken. Policies are listed below:

- Employees can convey their complaints, opinion and thoughts about all processes through face to face meetings, Ethical Board statements, Sugeestion system and Kaizen System. Feed Back System, which is designed as a digital mentorship system enabling

employees to communicate with managers one on one once a week is used to strengthen communication of employees.

- Direct contact with customers is carried out through www.erdemironline.com website. It has been learned that customer complaints, received through this website or through phone / facsimile, are investigated on site and necessary corrective actions are taken to solve the problem. It has been learned that 98% of 7,565 feedbacks, which were received by İsdemir, Ersem and Erdemir, have been concluded by the end of 2019.

These models that support that support employees' and other stakeholders' participation to corporation's management are currently operational. It would be appropriate to develop and add them in the Articles of Association and internal regulations.

c. Human Resources Policy of the Corporation

Procedures on recruitment, working conditions, register files, disciplinary practices, performance measurement, power and responsibilities of employees, training, remuneration, health rights and leave rights, promotion, task alteration and dismissal, death, resignation and retirement has been developed. These documents are kept at a portal, accessible by all employees. It is our impression that the company sticks to these policies in practice. Both during development and the implementation of the policies we got the impression that equal opportunity is given to individuals under equal conditions.

We think that through the Individual Performance Management System that İsdemir Group runs, the company determines the added value created by employees within the scope of company targets, as well as their educational and developmental needs efficiently. The company aims to manage appointment and assignment processes by taking objective criteria into consideration in order to maximize productivity.

The company has prepared training programs to increase knowledge, talents and experience of the employees. In 2019 a total of 189,710 hours training were provided for İsdemir's 36,346 employees. 40.92 hours per person training took place. Training activities focus on five main groups and include Work Health and safety, Professional Development, Management Systems, Leadership / Managerial Development and Personal Development. In-Unit Training System (ITS) and Behaviour-Oriented Security Management are Company's established training systematics. These systematics provide support for mobilization of internal resources and being a learning organization.

In line with the Communiqué dated 25.05.2015, about professions which made Professional Adequacy Document obligatory, the Company conducted analyzes of employees working in relevant professions and as a result Mastership certificates were obtained for 658 employees and professional adequacy documents for 1,357 employees.

İsdemir Excellency Model (İEM) was developed in 2019 and put into operation as a project-based work model enabling all employees to contribute to Company's performance and success. The İEM, which can be summarized with the motto of "maximizing human, environment and financial value", aims to create a corporate culture which always seeks the best and which stands one step ahead of the competition by using the intellectual knowledge accumulated over the long history of İsdemir.

İsdemir Excellency Model consists of 9 function groups; for the purposes of each function, project-based and time-based teams consisting of employees of all levels are distributed after completing their duties in order to achieve their performance criteria and objectives. Thus, employees work in projects outside of their own department on the subject they are experts in, the depth of expertise increases and creates value for the organization.

Brand and logo for İEM were registered on 28.05.2019. İEM software was put into implementation on 29.05.2019. Compatability of all projects with this model can be controlled with thgis software and steps for improvement and development are taken in later stages.

As of yearend 2019, a total of 4,611 employees worked at Ereğli facilities (2,886 with hourly fee and 1,725 with monthly fee). Blue collar workers are unionized under Çelik-İş Union. Relations with unionized employees are conducted by union representatives. There is no separate representative for relations with white collar employees.

As a result of examinations at the company and interviews with employees, we have reached the information that the employees are provided a safe working environment and conditions and that there exists no discrimination among employees based on race, religion, language and gender.

Company's organization chart has been formed according to work conditions; units and number and qualification of employees for these units have been prepared as written internal regulations.

There are no stock-options schemes for employees.

There is no restriction on the freedom of founding or becoming a member of any associations, subject to company's permission.

In this subsection the company achieved compliance with Corporate Governance Principles.

d. Relations with Customers and Suppliers

Information and documents obtained from customers and suppliers during the activities are kept confidential within the scope of trade secret security not to be breached by unrelated individuals.

Policies about clients, suppliers and outsourced services have been prepared and their standards have been determined

It is our opinion that İsdemir has achieved compliance with Corporate Governance Principles in this subsection.

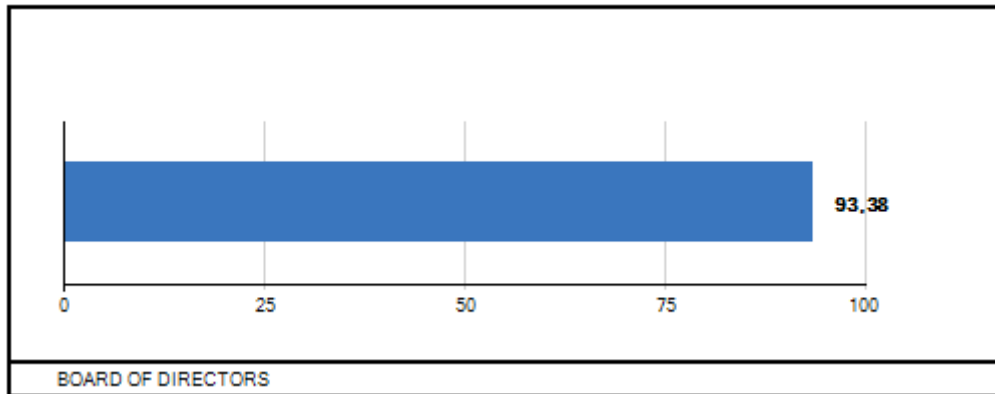
e. Ethical Rules and Social Responsibility

Ethical Rules required to be complied by all employees are laid down, approved and published on the company website. On close examination it is seen that the ethical rules are very comprehensive and compliant with the principles. The sanctions to be taken against employees who violate ethical principles are in this document and written on work contracts and Discipline Implementation Procedure.

The company management has informed us that there was no lawsuit launched against the Company during the rating period for reasons like violation of shareholders' rights or reducing company's assets. On the other hand, the public is regularly informed about ongoing lawsuits through Public Disclosure Platform and annual reports.

İsdemir; gives the impression that it is a company that sees itself as part of a whole together with employees, shareholders, clients, business partners and society and that it has the consciousness of being a corporate citizen. Within this framework, due to its responsibilities for aforementioned stakeholders and the common living environment, the company disclosed its corporate social responsibility activities and sustainability policies to public. Thanks to its policies in line with this vision, the Company was included in "BIST Sustainability Index" as of 01.11.2019.

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 General Manager are carried out by separate individuals and there isn't 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.
 - ✓ Three non-executive Board Members are independent members.
 - ✓ Each Member has one vote in the Board of Directors.
 - ✓ There isn't any loan/credit issues between Board Members and company.
 - ✓ Corporate Governance, Audit and Early Detection of Risk Committees have been formed and their working principles have been determined.
- ✓/* (A) group shareholder representative (PA) has veto right in some decisions.
 - ✓/* Manager liability insurance of members of Board of Directors is less than 25 % of company capital.
 - ✓/* It would be appropriate to disclose remuneration and other interests provided for board members and managers with administrative responsibilities in the annual report on personal basis.
- 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 **93,38**.
- a. Function of the Board of Directors**
- By the strategic decisions it will take, the Board 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
- * No targeted ratio and policy have been determined for women members of the board, for a ratio no less than 25 %.
 - * There is no practice of self-criticism and performance evaluation in the Board of Directors.

sense, the Board of Directors has described the corporate strategic objectives and determined the required human and financial resources. The Board of Directors also monitors company activities to be compatible with regulations, Articles of Association, internal procedures and established policies and it supervises management's performance.

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

İsdemir has achieved compliance with Corporate Governance Principles in this subsection.

b. Principles of Activity of the Board of Directors

Board of Directors conducts its activities in an open, accountable, fair and responsible fashion.

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

It has been learned that the Board has developed internal control systems – including risk management and information systems – to minimize the impact of risks that might affect Company's stakeholders, starting with shareholders and that it reviews the effectiveness of risk management and internal control systems at least once a year.

None of company's staff has the authority to decide solely and unrestricted. Posts of Chairman of the Board and General Manager are hold by different individuals.

Our impression is that the 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 of Directors works in close cooperation with the Investor Relations Department.

It's thought that the Board of Directors is in continuous and effective cooperation with managers while performing its duties and responsibilities and it has been learned that managers attend Board of Directors meetings whenever necessary.

Manager Liability Insurance against defects of Board Members duties have been made However, its amount is less than 25% of the company capital.

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

c. Structure of the Board of Directors

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

According Articles 9 and 11 of Articles of Association one of the Board members is elected by the General Assembly from among candidates nominated by the Privatization Board, holder of usufruct representing A Group shares. Board decisions on rights and responsibilities of Company's A Group shares require positive vote of Privatization Administration, which has usufruct over A Group shares.

The Board of Directors comprises executive and non-executive directors. Only 1 (one) Director is executive and 8 (eight) of them are non-executives. The principle that majority of Directors should be non-executive members is respected. On the other hand, 3 (three) of the non-executive directors are independent, satisfying the independence criteria laid down by Corporate Governance Principles. (Yunus ARINCI, an Independent Board Member, resigned from his positions in the Board and committees on 17.07.2020. It has been learned that work continues to find a

replacement. There has been no appointments as of the date of this report.) The independent Directors have presented their written representations that they are independent under the legislation, the Articles of Association and the criteria laid down by the Principles to the Candidate Nomination Committee. The Committee has evaluated the nominations for independent candidates, according to whether the candidates have had the criteria for being independent and presented its evaluation report, dated 11.02.2020, for the approval of Board of Directors. At its meeting on the same date Board of Directors approved the candidates with decision No 567 and decided to send the names to CMB for opinion. As CMB declared no negative opinions, the finalized list of independent member candidates was disclosed to public simultaneously with the announcement of General Assembly meeting.

There are 2 (two) woman members of Board of Directors. The company must determine a target ratio – no less than 25 % - for the number of women members of the Board, a deadline and policies to reach these targets and the Board of Directors must assess progress on these targets annually.

Company's practices in this subsection are in good compliance with Corporate Governance Principles.

d. Procedure of Board of Directors Meetings

It has been understood that the Board of Directors comes together frequent enough to implement its duties efficiently. Number of Board meetings, as well as required majority to convene and to take decisions are written in the Articles of Association. Upon examination of Board of Directors Decision Book it has been seen that the Board of Directors convened 6 (six) times in 2019 and 2 (twice) in 2020 as of May. Each member has one voting right in the Board of Directors. However, on decisions about rights given to A group (with usufructuary right in favor of Privatization Administration), positive vote of the Board

Member who is owner of the usufructuary right is required. It has been found that Board of Directors meetings are held in accordance with the regulations and relevant articles of Articles of Association. The meeting procedures are put into written documents with internal arrangements.

Meeting agenda of Board of Directors is prepared by the Chairman, taking requests from board members and managers into consideration. Invitation for meetings is sent through e – mail. The Secretariat of the Board of Directors informs the members by sending them the agenda of meeting and documents about agenda items.

Secretaria function for the Board is carried out by Board of Directors Assistant Suzan MERT.

In this subsection, İsdemir has achieved a rather good level compliance with the Corporate Governance Principles.

e. Committees formed within the Structure of the Board of Directors

In order for the Board to fulfill its duties and responsibilities soundly, Audit Committee, Corporate Governance Committee and Early Detection of Risk Committees are formed. A Separate Nomination Committee and Remuneration Committee have not been formed because of the Board's structure. Duties of these committees are carried out by the Corporate Governance Committee. Working Principles of the Corporate Governance Committee has been regulated in accordance with this organization.

Mandates, working rules and membership composition for all three committees have been determined, approved by the Board of Directors in written documents and disclosed to public in electronic environment. All members of the Audit Committee and minimum the Chairman of other committees are appointed from independent members. The General Manager has no assignment in any committee. These principles are upheld.

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

Committees invite appropriate executives to their meetings to benefit from their opinions.

The Audit Committee comprises two (2) independent members. The Committee monitors performance and effectiveness of company's accounting system, public disclosure of financial information, independent audit and internal control and audit system. The selection of independent audit company and supervision of its work at every stage is carried out by the audit committee. The committee reassesses company's system, processes and activities on subjects of accounting system, financial reporting, public disclosure, internal control and audit system, independent external audit, law, regulation and compliance with ethical principles.

İsdemir has no Internal Supervision Department of itself. However, OYAK Maden Metalürji Group, to which the Company belongs, has an Internal Audit Directorate, which operates to assess risk management and efficiency of control and management processes and reports directly to Deputy Chairman of Board and Executive Board Member.

Internal Audit Directorate carried out 17 (seventeen) audits in 2019. 9 (nine) of them were planned and 8 (eight) were special audits. It presented 5 (five) reports to the Board after these audits. As of May 2020, it carried out 3 (three) planned and 2 (two) special audits.

Audit Committee held 3 (three) meetings in 2019 and 2 (two) meetings as of June 2020.

Secretariat function of the Audit Committee is carried out by Ulaş YİRMİBEŞ, Consolidation and Reporting Manager.

Corporate Governance Committee; establishes whether the corporate governance principles are implemented in the

Company, as well as the grounds for non-implementation, if applicable; conflicts of interest, if any, arising from failure to fully comply with these principles, and discloses to public through Corporate Governance Compliance Report. The committee consists of three (3) members. The Chairman and one member are independent members of the Board of Directors. Another member is the Manager of Investor Relations Department and appointed to membership of Corporate Governance Committee in accordance with CMB Corporate Governance Notification number II.17-1.

Its structure complies with the principle which requires that all of the members – if there are only two – or majority of members – if there are more than two – should consist of non-executive Board members.

Committee convened 5 (five) times in 2019 and 3 (three) times as of June 2020.

The Secretariat functions of the Committee are undertaken by İdil ÖNAY, Erdemir's Manager of Investor Relations Department.

Early Detection of Risk Committee consists of two (2) members and both of them are independent members of the Board.

The Committee convened 5 (five) times in 2019 and 3 (three) times as of June 2020.

The Secretariat functions of the Committee are undertaken by Erdem PREKA, Corporate Risk Manager.

It has been determined that all committees send regular reports about their activities to the Board of Directors.

Latest Change in a Committee was disclosed to public through Material Event Disclosure dated 06.08.2020.

The committees comprise following members:

Audit Committee

Name Surname	
Kurtuluş Bedri VAROĞLU	Chairman (Independent)
Ali FİDAN	Member (Independent)

Corporate Governance Committee

Name Surname	
Kurtuluş Bedri VAROĞLU	Chairman (Independent)
Ali FİDAN	Member (Independent)
İdil ÖNAY ERGİN	Member (IRD Manager)

Early Detection of Risk Committee

Name Surname	
Ali FİDAN	Chairman (Independent)
Kurtuluş Bedri VAROĞLU	Member (Independent)

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

Guidelines on compensation of the Directors and top executives have been put on written documents, presented for the approval of general assembly and disclosed to public in electronic environment.

Stock-options or payment plans based on the corporate performance are not used for remuneration of the independent directors. It has been determined that the emoluments of independent directors are sufficient to protect their independency.

It has been found that the Company has not lent and extended loan to any Director or top executive or made available any credit as personal loan through any third person or provided securities such as surety in favour of them.

The performance of Board Members is not measured.

Although not on individual basis, remuneration and other benefits that are provided for board members and top executives are explained in the annual report. However, it would be appropriate to give this information on individual basis as required.

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

GRADE	DEFINITIONS
9–10	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.
7–8,9	The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.
6–6,9	The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.

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

