



Corporate Governance Compliance Rating Report

BATIÇİM

BATIÇİM Batı Anadolu Çimento Sanayii A.Ş.

30 July 2019

Validity Period 30.07.2019-30.07.2020

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Batıçim Batı Anadolu Çimento Sanayii A.Ş. is compiled;

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

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014..

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 74 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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

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

The rating grade does not constitute a recommendation to purchase, to hold or to dispose of any kind of borrowing instrument. KOBIRATE A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

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**BATIÇİM BATI ANADOLU
ÇİMENTO SANAYİİ A.Ş.**

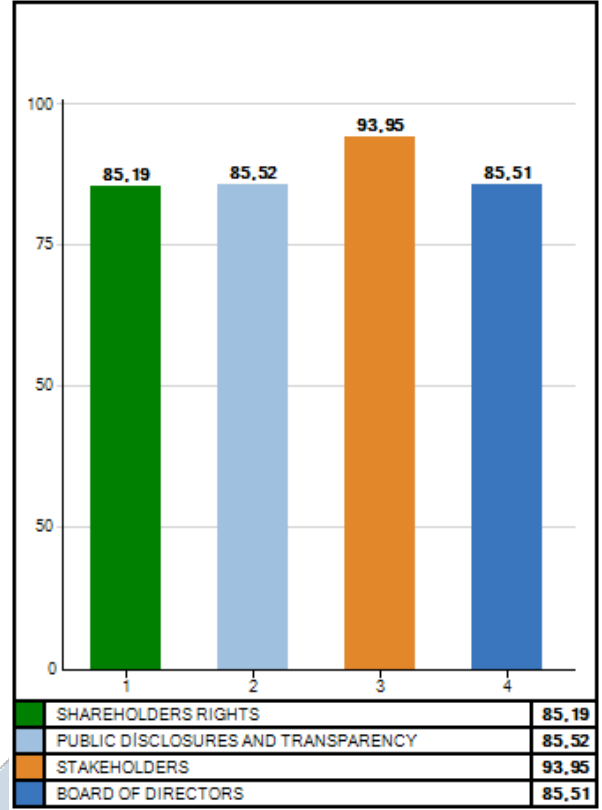
**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

8.67

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RATING SUMMARY

This report of rating of compliance of Batıçım Batı Anadolu Çimento Sanayii A.Ş with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents and information open to public, interviews held with executives and persons involved, and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17.1 published by Official Gazette no 28871, dated January 3, 2014.

According to Capital Market Board decision dated 10.01.2019, No 2/51, Batıçım is among BIST 3rd Group companies. The Company has been evaluated through examination of 399 criteria described in Kobirate Uluslararası

Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology of "BIST 3rd Group Companies". At the end of examination of criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, Corporate Governance Compliance Rating Grade of Batıçım Batı Anadolu Çimento Sanayii A.Ş has been determined as **8.67**. This result signifies that Batıçım has achieved good level of compliance with CMB's Corporate Governance Principles and deserves to be on the BIST corporate governance index.

Internal control systems have been formed and are being run, although some improvement is required. Possible risks for the Company are determined to a significant extent and can be controlled. Rights of

shareholders and stakeholders are treated fairly. Public disclosure and transparency activities are conducted at a good level. The structure and working conditions of board of directors are compliant with corporate governance principles. Although they don't pose great risks, some improvements, in terms of corporate governance principles, are expected.

In view of rating process under main headings in brief;

It has been seen that the Company has obtained the grade of **85.19** in the Shareholders Section. It is observed in this section that the Company has achieved a good level of compliance with CMB Corporate Governance Principles. Existence of Investor Relations Department to conduct healthy relationship with shareholders, duly convention of and invitation for general assemblies, preparation of dividend policy and having no restrictions on transfer of shares are among positive policies. Head of Investor Relations Department has been appointed as a member of Corporate Governance Committee in compliance with CMB Communiqué No II.17-1.

Batırım has achieved the grade of **85.52** 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. It has been determined that the Company is in compliance with the principles in the field of public disclosure and transparency.

The Company has obtained **93.95** in the section of Stakeholders.

The Company has achieved significant compliance with CMB's Corporate Governance Principles in this section. 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.

As for the Board of Directors Section, the Company's grade is **85.51**, representing 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.

The posts of Chairman of the Board of Directors and General Manager are held by separate individuals. 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.

On the other hand, there are other important practices in terms of compliance with the Corporate Governance Principles, such as having a majority of non – executive members and two independent members in the Board 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 carrying out 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.

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

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

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

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

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

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

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

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

399 criteria are used in the rating process for BIST 3rd Group Companies in order to measure the compliance of firms with corporate governance principles.

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

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

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

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

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

considered as part of the remaining 15 % and affect the company's grade.

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

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 : Batıçım Batı Anadolu Çimento Sanayii Anonim Şirketi
Company Address : Ankara Caddesi No: 335
Bornova/ İZMİR
Company Phone : (0232) 4784400
Company Fax Number : (0232) 4784444
Company's Web Address : www.baticim.com.tr

Date of Incorporation : 05/09/1966
Registered Number : 29465-282
Paid in Capital : 180.000.000 TL

Line of Business : Production of Clinker, cement and aggregate.

Company's Sector : Stone and earth based production industry

Company's Representative in Charge of Rating:

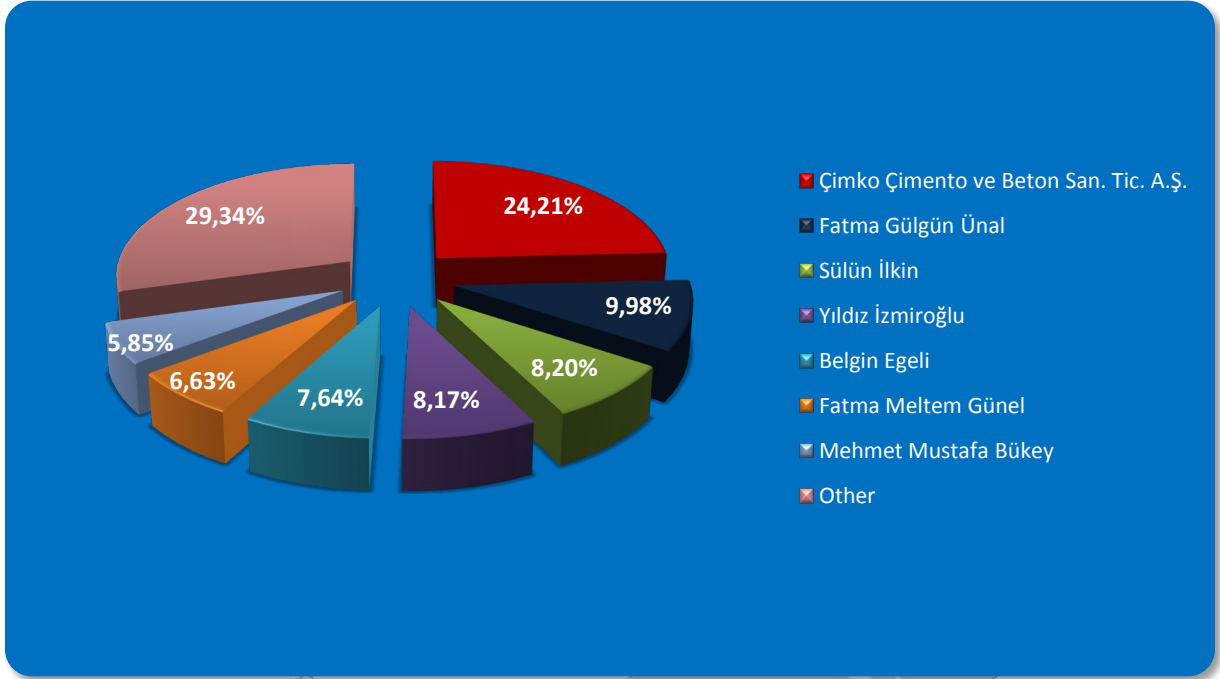
Yeşim Devrim YALÇIN

Investor Relations Department Manager

yesimyalcin@baticim.com.tr

0232 478 44 00

Shareholder Structure (as of date of this report)



Source: www.kap.org.tr

Shareholder Name	Share (TL)	%
Çimko Çimento ve Beton San.Tic.A.Ş.	43.572.230,34	24,21
Fatma Gülgün ÜNAL	17.955.965,50	9,98
Sülün İLKİN	14.750.524,16	8,20
Yıldız İZMİROĞLU	14.708.849,50	8,17
Belgin EGELİ	13.753.763,70	7,64
Fatma Meltem GÜNEL	11.925.921,04	6,63
Mehmet Mustafa BÜKEY	10.525.672,80	5,85
Other	52.807.072,95	29,34
Total	180.000.000,00	100,00

Source: www.baticim.com.tr

Company's Subsidiaries (*)

Company Name	Company's Line of Business	Paid in/Issued Capital (TL)	Company's Share in Capital (TL)	Company's Share in Capital %
Batisöke Söke Çimento San. T.A.Ş.	Production and sale of clinker and cement	400.000.000	298.494.052,78	74,62
Batıçım Enerji Elektrik Üretim A.Ş.	Production and sale of electricity	120.000.000	83.975.000	69,98
ASH Plus Yapı Malzemeleri San. Tic. A.Ş.	Production and sale of ash	125.000	125.000	100,00
Batıbeton San. A.Ş.	Production and sale of ready mixed concrete	49.477.593,83	49.477.593,83	100,00
Batılıman Liman İşl. A.Ş.	Port Management	57.834.577,56	57.834.577,56	100,00

Source : www.kap.org.tr

(*) A total of 1,059 employees – 212 white – collar and 847 blue – collar) are employed by Batı Anadolu Groupğ, including Batıçım, as of report date. All blue – collar employees are unionized.

Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
Mehmet Mustafa BÜKEY	Chairman of Board of Directors	Non - Executive
Tufan ÜNAL	Deputy Chairman and Executive Member of Board of Directors	Executive
Fatma Meltem GÜNEL	Member of Board of Directors	Non - Executive
Sülün İLKİN	Member of Board of Directors	Non - Executive
Mehmet Bülent EGELİ	Member of Board of Directors / Secretary General	Executive
Necip TERZİBAŞIOĞLU	Member of Board of Directors / General Manager	Executive
Feyyaz ÜNAL	Member of Board of Directors / Assistant General Manager	Executive
Kemal GREBENE	Member of Board of Directors	Non - Executive
Begüm EGELİ BURSALIGİL	Member of Board of Directors	Non - Executive
Musa Levent ERTÖRER	Independent Member of Board of Directors	Non - Executive
Tankut KARABACAK	Independent Member of Board of Directors	Non - Executive

Implementation Board

Name/ Surname	Title
Tufan ÜNAL	Executive Member
Necip TERZİBAŞIOĞLU	General Manager
Mehmet Bülent EGELİ	Secretary General
Feyyaz ÜNAL	Assistant General Manager

Company Executive Board and Managers

Name/ Surname	Title
Mutlu Can GÜNEL	Member of Company Executive Board
Volkan BÜKEY	Member of Company Executive Board
Kamil GREBENE	Member of Company Executive Board
Yıldız EGELİ YAVUZ	Member of Company Executive Board
Mehmet İlker ÖZGELEN	Administrative Manager
Hayer YALNIZ	Raw Materials Manager
Adil ULUDAĞ	Financial Affairs and Accounting Manager
Mustafa KAHVECİ	Purchasing Manager
Mehmet Gökhan GÜMÜŞ	Quality Control and Guarantee Manager
Fatih USTA	Human Resources Manager
Mehmet TAŞKAPILI	Internal Audit Manager
Erol İŞCAN	Maintenance Manager
Barış KOYLAN	Production Manager
Ali Rıza PINARLI	Finance Manager
Oral ENGİZEK	Marketing and Sales Manager
Mehmet Kemal ASLAN	IT Manager

Committees Formed Within Board of Directors

AUDIT COMMITTEE	
Musa Levent ERTÖRER	Independent Board Member (Chairman)
Tankut KARABACAK	Independent Board Member
CORPORATE GOVERNANCE COMMITTEE	
Musa Levent ERTÖRER	Independent Board Member (Chairman)
Mehmet Mustafa BÜKEY	Board Member
Kemal GREBENE	Board Member
Yeşim Devrim YALÇIN	Investor Relations Department Manager
EARLY DETECTION OF RISK COMMITTEE	
Tankut KARABACAK	Independent Board Member (Chairman)
Mehmet Mustafa BÜKEY	Board Member
Kemal GREBENE	Board Member
Mehmet Bülent EGELİ	Board Member

Source: www.kap.gov.tr

Balance-Sheet comparison of Company's certain selected items for 3rd Quarters of last two years

	2017/12	2018/12	Change %
Curent Assets	408.343.639	393.689.869	-3,59
Fixed Assets	1.825.847.135	2.015.927.346	10,41
Total Assets	2.234.190.774	2.409.617.215	7,85
Short Term Liabilities	458.886.562	582.390.745	26,91
Long Term Liabilities	789.926.878	839.163.869	6,23
Equity	985.377.334	988.062.601	0,27

Source: Batıçim Batı Anadolu Çimento San. A.Ş. 01.01.2018-31.12.2018 Annual Report, summary of financial statements prepared in accordance with CMB Serie II No: 14.1 Communiqué.

Profit / Loss Comparison of Some Items for Third Quarters of Last Two Years

	2017/12	2018/12	Change %
Revenue	687.516.471	980.807.069	42,66
Main Operational Profit / Loss	59.695.626	190.959.370	219,89
Operational Profit or Loss	(26.422.508)	(54.855.974)	-107,61
Period Profit / Loss	(19.423.708)	(32.985.306)	-69,82

Source: Batıçim Batı Anadolu Çimento San. A.Ş. 01.01.2018-31.12.2018 Annual Report, summary of financial statements prepared in accordance with CMB Serie II No: 14.1 Communiqué.

Peak and Bottom Closing Values of Company shares traded at BIST between 21.07.2018 and 22.07.2019

Bottom (TL)	Peak (TL)
1,42.- (23.05.2019)	3,73.- (27.07.2018)

Source: Batıçim Batı Anadolu Çimento San. A.Ş.

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

YILDIZ MARKET / BIST STONE, EARTH / BIST İzmir / BIST STAR / BIST ALL / BIST INDUSTRIAL / BIST ALL-100

Source: www.kap.org.tr

Information about Company Activities

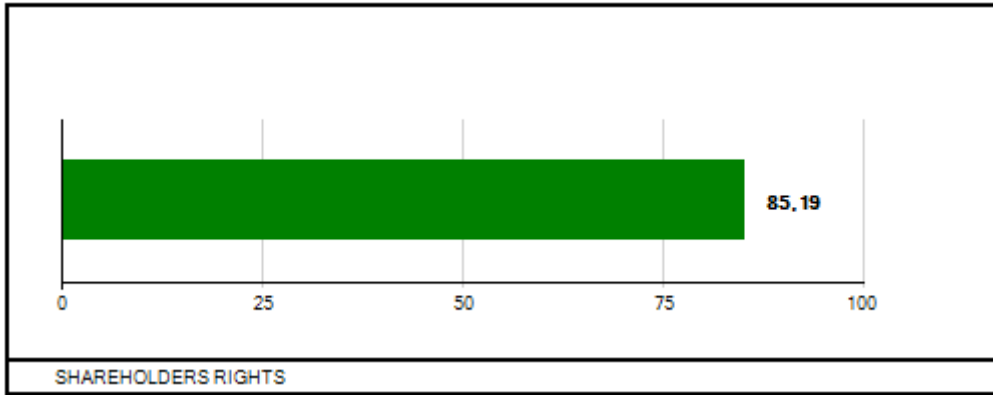
BATIÇİM Batı Anadolu Çimento Sanayii A.Ş. was established in 1966 with 100 % Turkish capital. It grew rapidly and became one of the strongest companies of Turkish Cement Industry.

In the process of more than half a century, the Company adopted "quality first" approach and met a significant part of Turkey's cement demand by providing superior and environment - friendly products to the construction industry with an impeccable service quality. It has also become a trusted and well – known brand in the international markets.

Today, with its world-class technology, used in clinker and cement production, BATIÇİM continues its march with confident steps in the sector with its professional staff, created with the philosophy of employing right human resource in the right job. By investing in the region, Batıçim increases society's quality of life and contributes to the national economy. As one of the largest industrial enterprises in the Aegean region, it adds value in economic, social and cultural areas, as well as creating significant employment in the region.

4. RATING SECTIONS

A. SHAREHOLDERS



Overview

- ✓ Investor Relations Department has been established in order to conduct relations with Shareholders.
- ✓ General Assembly meetings have been held in compliance with 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.
- ✓/* Donation and Aid policy should be presented to the General Assembly for approval.
- ✓/* 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 are privileges in voting right and dividend distribution.

In this section, as stated by CMB's Corporate Governance Principles, the company was evaluated on **115** 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 **85.19** points.

a. *Facilitating the Exercise of Shareholders' Rights*

Investor Relations Department has been established within Financial Affairs Directorate and reports directly to Mehmet Bülent EGELİ, Member of Board and Secretary – General. Yeşim Devrim YALÇIN was appointed as Investor Relations Department Manager on 10.07.2017 and it was disclosed to public through a Material Event Disclosure same day. Adil ULUDAĞ (Financial Affairs and Accounting Manager) is a Member of Investor Relations Department. Yeşim Devrim YALÇIN, who has licenses for Corporate Governance Rating, Capital Market Activities Level 3 and Derivative Instruments was also appointed as

a Member of Corporate Governance Committee and this appointment was disclosed through Public Disclosure Platform. Therefore compliance with CMB Corporate Governance Communiqué No II.17-1 has been achieved.

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 rather 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 website (www.baticim.com.tr) is used efficiently.

The "Disclosure Policy", which was updated and approved by the Board of Directors is published on the corporate website. It has been learned that it would be presented to shareholders at the first general assembly meeting. Shareholders' right to obtain

information is explained in detail in the aforementioned policy.

All information concerning the company has been given on time, truthfully and completely. There have been no warnings or penalties on this issue given by Regulatory authorities. It has been also learned that there were no lawsuits in this period due to unanswered or refused – without a valid reason - shareholder demands for information.

It has been seen that inquiries of shareholders have been responded rapidly and care has been given to let shareholders exercise their right to obtain information and to examine. There were 138 oral and 12 written applications to the Company in 2018. There are 82 oral and 4 written applications as of June 2019. All of the questions have been answered.

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

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

Due to the practices in the general assembly, Batıçim has adjusted a good compliance with many principles hereunder.

The General Assembly meeting to discuss operations of 2018 took place on 24.05.2019. Invitation was done properly on Turkish Trade Registry Gazette dated 26.04.2019, No 9817, through Public Disclosure Platform on 17.04.2019 and EGKS. The date, time, place, agenda and the sending department have been clearly described in the invitation.

It has been found that financial tables, annual reports, audit reports and Board's dividend proposal, all of which should be ready for the review of shareholder according to article 437 of Turkish Commercial Law no 6102 and other announcements that partnership should make in accordance with regulations and Corporate Governance Principles have been sent to shareholders three weeks before the General Assembly.

In order to increase the attendance of shareholders, to avoid inequalities among them and to keep their costs at minimum, general assemblies are held at company's head office.

An information kit – prepared in accordance with Item 1.3.1 of CMB's Corporate Governance Communiqué No II-17.1 - explaining the items of general assembly agenda was put on the corporate internet website simultaneously with the announcement of general assembly. General Assembly information kit contained total number of shares, which reflect company's shareholder structure as of the announcement date, voting rights and whether or not there are privileges in voting rights and scope and features of these privileges if they exist. The document has also included information on changes that might affect management and activities of the Company and its subsidiaries, requests by shareholders to add items on the agenda and whether there would be any changes in the Articles of Association or not.

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".

Upon examination of general assembly minutes and attendance lists it has been understood that some of board members, officers responsible for preparing financial tables and persons related to specific issues on the agenda were available at the meeting. Representative of the audit company that

undertakes Company's independent audit process also attended the meeting.

It has been found that the items on the agenda were separately voted and the results were shared with shareholders before the closure of the meeting. It is our impression that the chairman of the meeting has taken great care to have the issues of the agenda expressed objectively, comprehensively, clearly and simply and shareholders have been able to express their opinions and ask questions under equal circumstances.

According to explanations on General Assembly minutes and interviews with officials in the Company, it is understood that the chairman of the meeting has seen to it that all the questions of shareholders to be answered at the meeting, except those that were accepted as trade secret.

General assembly was informed about guarantees, pledges, and mortgages given in favor of third persons, in accordance with the articles of CMB's Corporate Governance Communiqué No II-17.1.

Shareholders have been informed about donations made within the period and limit for future donations has been determined. It would be appropriate to disclose the beneficiaries of these donations. It also necessary to present the Donation and Aid Policy, which was approved by the Board of Directors and disclosed to public, to the first coming General Assembly meeting for the approval of shareholders.

During interviews the officials told us that there is no obstacle stopping stakeholders and media from attending to general assembly meetings without the right to speak. Disclosing on the invitation that general assembly meeting is open to public and adding a provision to the Articles of Association on this subject would strengthen compliance with corporate governance principles.

It is our opinion that in this subsection the Company has achieved good level compliance with the principles.

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.

In the general assembly document information is given about the distribution of company shares, voting rights that come with shares and privileges in voting right. According to the document; "Company's capital is TRY 180,000,000. (B) Group shares constitute TRY 179,752,000 of the capital, while (A) Group shares make up TRY 48,000 of it. (A) Group shareholders give each (A) Group shareholder 15 (Fifteen) voting right and 1 (One) voting right for each (B) Group shareholder." This policy is in conflict with the Corporate Governance Principle, which states; "One should avoid privileges in voting right. If there are any privileges, it is essential to cancel those privileges that block shareholders' representation in the management."

The Company doesn't have a mutual subsidiary which brings a relationship of sovereignty.

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, extending minority rights with Articles of Association and covering those shareholders who have less than 1 / 20 of the capital would strengthen compliance with Corporate Governance Principles.

f. Right for Dividend

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.

Information like dividend distribution ratio, payment method and time have also been disclosed to public in this document.

Company's Articles of Association states that "Net profit's 10 % will be distributed to (A) Group shareholders in accordance with the ratio of their shares, without hurting first dividend." There is privilege for (A) Group shareholders.

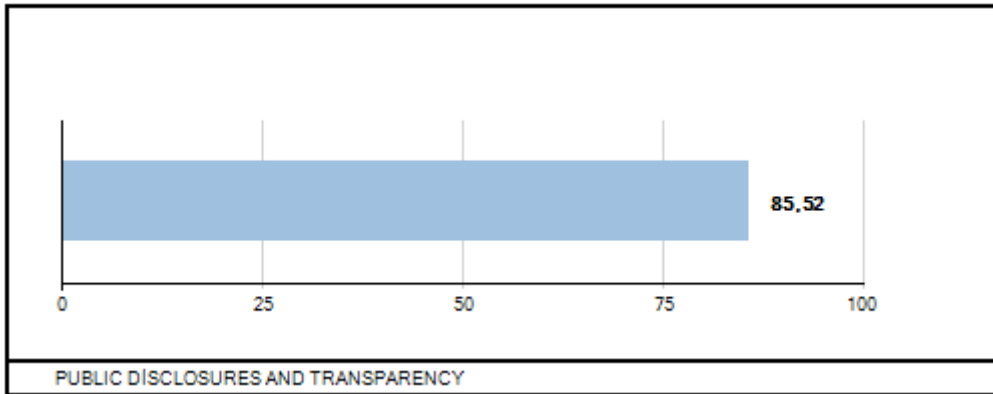
There is no provision in the Articles of Association on payment of dividend advance.

At the ordinary General Assembly meeting on 24.05.2019 it was decided not to give dividends due to the losses as a result of 2018 activities.

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.

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.
- ✓/* The Disclosure Policy, which has been updated, approved by the Board of Directors and disclosed to public, must be presented to the General Assembly for approval.
- ✓/* It will be appropriate to give information in the annual reports about conflicts of interest between the company and other establishments that provide services like investment consultancy or rating and precautions taken to prevent these conflicts of interest.
- ✓/* Not all the benefits provided for board members and top executives are disclosed on individual basis.
- * Annual Report does not contain the Board decision about approval of Company's balance – sheet and income statement by the Board of Directors and its presentation to the General Assembly for approval.
 - * Annual Report does not contain responsibility declaration, which states that the annual report and periodical financial statements reflect exact financial situation of the Company and that it fully complies with regulations.
 - * Annual Report does not contain independence declarations of independent members of board of directors.

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 **85.52**.

Batçim carries out public disclosures within the scope of its Public Disclosures Policies developed by the board and disclosed to public. The policy has been updated in accordance with CMB's Special Cases Communiqué No II.15-1 and disclosed on Public Disclosure Platform on 09.07.2019, after it was approved by the Board of

Directors. This policy must be presented to the first General Assembly meeting for the approval of shareholders.

The officials in the Company who are charged with disclosures and have the authority for signature are Mehmet Bülent EGELİ (Board Member / Secretary - General), Adil ULUDAĞ (Financial Affairs and Accounting Manager) and Yeşim Devrim YALÇIN (Investor Relations Department Manager / Head of Budget and Reporting).

Company's independent audit for 2018 was conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global 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 the suggestion of Audit Committee and Board of Directors and approval of the General Assembly, it has been decided that 2019 audit to be conducted by the same company.

a. Corporate Website

The corporate website (<https://www.baticim.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, registration statement and circular, special case declarations, 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.

Some of this information on the website is also published in English for international investors.

In this subsection, the Company has achieved good compliance with corporate governance principles.

b. Annual Report

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. Annual reports of the last five years are accessible for shareholders and the public in electronic environment.

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

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

Members of subcommittees within the board of directors, meeting frequencies of these committees, their working principles including ongoing activities and Board assessment about committees' efficiency,

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

Changes of regulations, which might significantly affect company operations,

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 the its position within the sector.

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

Period of report, title of the Company, trade registry number and contact information,

However, the Annual Report does not include;

Responsibility declaration of Board member/s, who are responsible for preparation of periodical statements and reports, to guarantee that the Annual Report and periodical financial statements completely reflect Company's financial situation (In case there is a division of labor between department head or another official who is responsible in this field and Board of Directors),

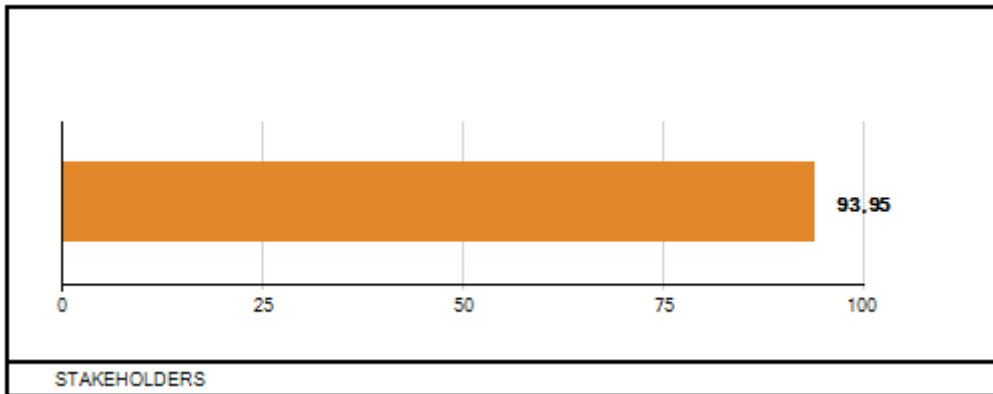
Independence declaration of independent board members,

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,

Disclosure of all the benefits provided for board members and top executives on individual basis.

These are considered as areas in need of improvement 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.
- ✓/* There are no regulations in the Articles of Association or in company regulations supporting participation to management of employees and stakeholders.
- * No mechanism has been prepared for stakeholders to report

Company's unethical and irregular actions to the Corporate Governance Committee or Audit Committee.

In this section, the Company has been assessed by **57** 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** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **93.95**.

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 Batıçim 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.

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

Stakeholders are adequately informed on company policies and procedures to protect their rights and company's corporate website (<https://www.baticim.com.tr/>) is being actively used for this purpose. Efficient mechanisms must be formed for the stakeholders to inform Corporate Governance and Audit Committees about Company's unethical and irregular actions.

In this subsection, Batıçim has achieved compliance with the principles.

b. Supporting Stakeholders' Participation in Corporation's Management

Stakeholders do not directly participate to management. It has been learned that exchange of opinions with stakeholders, by face to face meetings, take place from time to time in subjects that concern them.

In subjects relevant to them, the stakeholders are informed through general assembly meetings, corporate website and material event disclosures.

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. Company management. It would be appropriate to improve these models and put them into Articles of Association and inner regulations if necessary.

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.

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

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.

In the first half of 2019, Batıçim has employed 424 employees, including 105 white – collar and 319 blue - collar. In 2018, 12,077 hours of training (55 hours/person) was given to White – Collar employees. This figure was 4,433 hours (20 hours/person) in the first half of 2019. Last year 28,452 hours of training (33 hours/person) was given to Blue/Collar employees. This figure was 22,160 hours (26 hours/person) in the first half of 2019.

It has been seen that the Basic 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.

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

Through examinations at the Company and interviews with employees, it has been learned that the employees are provided with a safe working environment and conditions and there exists no discrimination among employees in terms of race, religion, language and gender.

Blue-Collar employees are organized under the roof of T. Çimse-İş Union. Latest Collective Labor Agreement is valid between 01.01.2018 and 31.12.2019.

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 Batıçim has achieved rather good compliance with corporate governance principles.

d. Relations with Customers and Suppliers

The Company conducts its business through dealers and it had 24 dealers as of the date of this report.

Information and documents received from customers, dealers and suppliers during the activities are kept confidential within the scope of trade secret security.

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

All facilities of Batıçim have TS EN ISO 9001 Quality Management System, TS EN ISO 14001 Environment Management System and TS 18001 OHSAS Work Health and Security Management System certificates.

In this subsection Batıçim has achieved rather good compliance with corporate governance principles.

e. Ethical Rules and Social Responsibility

As a Batı Anadolu Group Company, employees of Batıçim have to act in accordance with Batı Anadolu Group Business Ethics Rules, like employees of other group companies. Business Ethics Rules have been prepared in detail under 8 main headings and

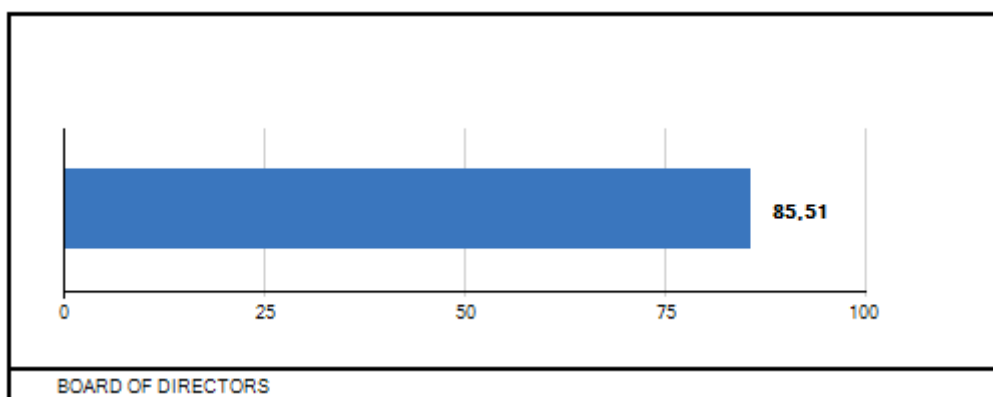
disclosed on the corporate website. It is our impression that activities are conducted within the framework of these rules.

The Group carries out social responsibility projects in various subjects including education, healthcare, culture and art. It builds schools and regularly supports NGO's.

Within the scope the project titled "Have a Nice Market" neighborhood markets are visited. The project aims to help children and adults to develop balanced diets and exercise habits.

The Group have been supporting archeological digging of the ancient city of Magnesia, with the permission of Directorate of Cultural Assets and Museums, Ministry of Culture for over 20 years in order to ensure that more people know about Turkey's cultural heritage.

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 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.
- ✓ 2 of non-executive Board Members are independent members.
- ✓ There are 3 woman members of the Board.
- ✓ Every Board Member has one vote.
- ✓ There isn't 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.
- ✓ Manager Liability Insurance amounting to over 25% of the capital

against defects of Board Members duties have been made.

- ✓/* It would be appropriate for the Board of Directors to develop a method for performance evaluation of both the Board and members on individual basis.
- ✓/* Fees and benefits given to directors with administrative responsibilities are not disclosed on individual basis.
- * (A) Group shareholders have the privilege of nominating candidates for the Board of Directors.
- * It would be appropriate to ensure that committees work more actively and more efficiently.

In this section, the Company has been assessed by 139 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 **85.51**.

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 longterm 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 Batıçim has achieved rather good compliance with corporate governance principles.

b. Principles of Activity of the Board of Directors

It is our impression that Batıçim 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.

Board of Directors has developed internal control systems including risk management and IT systems to minimize effects of risk and processes on stakeholders, starting with shareholders. It has been learned that the Board of Directors was in the process of 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.

Y Manager Liability Insurance amounting to 25% of the capital against defects of Board Members duties have been made. The insurance covers all group companies. It would be appropriate to make a disclosure at te Public Disclosure Platform in the next policy renewal period.

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

c. Structure of the Board of Directors

Company's Board of Directors is formed with 11 (eleven) members; including 1 (one) Chairman and 10 (ten) 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 4 (four) of them are executives. 2 (two) members are independent members who satisfy the independence criteria laid down by the Corporate Governance Principles. Executive members are also members of Company Executive Board.

On the other hand, There is an Implementation Board, comprising 4 (four) members. It helps Company Executive Board to implement Company business within the scope of Board decisions and strategic targets determined by the Board. Information about

Board of Directors, Implementation Board, Company Executive Board and other directors can be found on pages 10 and 11 of this report.

There are 3 (three) women members of Board of Directors. It is in compliance with CMB criterion, which states that ratio of women members in the board should “be no less than 25 %”.

In this subsection Batıçım has achieved rather good compliance with corporate governance principles.

d. Procedure of Board of Directors Meetings

According to the Articles of Association, Board of Directors convenes whenever Company affairs and transactions require meeting. However, having at least one meeting in month is obligatory. Articles of Association include provisions on necessary majorities for holding meetings and taking decisions.

Upon examination of Board of Directors decision book, it has been understood that Board of Directors comes together frequently enough to carry out its duties efficiently. The Board held 27 (twenty seven) meetings in 2018 and 13 (thirteen) in 2019, as of June.

Executive members of the Board determines meeting agendas. Board Members receive equal flow of information and documents related to agenda items are sent to members before meetings, giving them enough time to examine. Each member has one voting right at the Board of Directors. There are no veto powers for any member.

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.

Secretarial function of the Board is carried out by Mehmet Bülent EGELİ, Board Member and Secretary – General.

In this subsection Batıçım has achieved rather 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 haven’t been established because of the Board’s structure. These duties are carried out by Corporate Governance Committee.

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.

Committees invite appropriate executives to their meetings to benefit from their opinions. All discussions in committees are recorded in writing.

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.

It has been explained by the officials that internal control mechanisms to be complied with and implemented by staff at all levels had been established in order to ensure that company activities are carried out in accordance with current regulations and within the framework determined by the Board of Directors and to ensure the integrity and reliability of accounting and reporting systems. Internal Audit Department conducted 7 (seven) process and 13 (thirteen) department audits in 2018 and 7 (seven) process and 3 (three) department audits in 2019 as of June. The Department prepared 1 (one) report to corporate governance committee in 2018 1 (one) for Audit Committee in 2019 as of June.

Audit Committee held 6 (six) meetings in 2018 and 4 (four) meetings in 2019 as of June. It prepared 9 (nine) reports for the Board of Directors in 2018 and 4 (four) reports in 2019 as of June.

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.

Corporate Governance Committee; comprises 5 (five) members and 3 (three) of them are non – executive members. Its chairman is an Independent Member of Board. In accordance with CMB Corporate Governance Communiqué number II.17-1, Investor Relations Department Manager Yeşim Devrim YALÇIN has been appointed as member of Corporate Governance Committee on 10.07.2017 and she was assigned as Member of Corporate Governance Committee on the same day.

Corporate Governance Committee held 6 (six) meetings in 2018 and 4 (four) meetings in 2019 as of June. It has reported meeting results to the board of directors. Committee activities and number of its meetings are disclosed in the annual report.

Working closely with the Corporate Governance Committee, Investor Relations Department reports to the board about its activities once a year.

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 4 (four) members. Its chairperson is an independent member. Other Two (2) of the other 3 (three) members are non – executive members of board and 1 (one) executive member of board.

Early Detection of Risk Committee held 6(six) meetings in 2018 and 3 (three) meetings in 2019 as of June. It reported meeting results to the Board.

Secretarial functions of Corporate Governance, Audit and Early Detection of Risk Committees are carried out by Board Member / Secretary – General Mehmet Bülent EGELİ.

As a result of work at the office over records and interviews with the Company officials, it is our opinion that making committees more efficient would strengthen 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 directors. The emoluments of independent directors are sufficient to protect their independency.

It has been learned 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 favour of them.

Corporate governance principle of disclosing remuneration and all other benefits provided to directors and top executives on individual basis is not met.

However, from the point of view that the Board of Directors is responsible for achievement of Company's determined operational and financial performance targets; the annual report does not give information about whether or not targets are reached and if they are not, the reason for failure.

Board of Directors does not make performance assessments based on Board or individual.

There is no practice of rewarding or sacking of board members based on their performance evaluations.

These last three issues have been determined as areas in need of improvement in this subsection.

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

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

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

