



Corporate Governance Rating Report



**09 July 2021**

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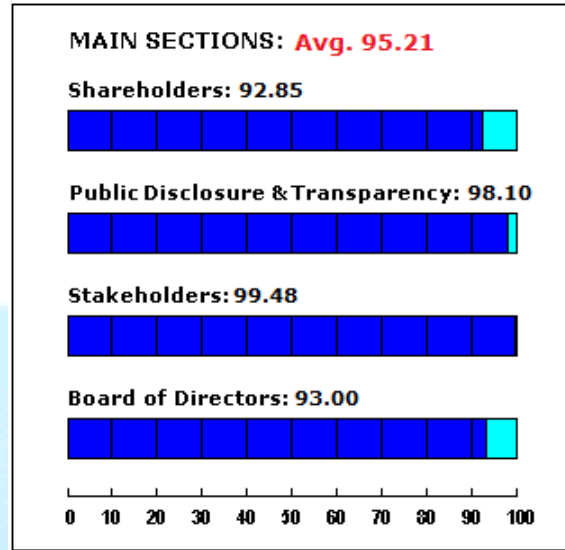
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## Rating and Executive Summary

### AG Anadolu Grubu Holding A.Ş. (AGHOL)

 SAHA  
Corporate Governance Rating:

**9.52**



### EXECUTIVE SUMMARY

Corporate Governance Rating for AG Anadolu Grubu Holding A.Ş. ("AG Holding", "the Company"), is hereby revised as **9.52** from to the previous setting of 9.56 dated June 9, 2020. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc. AGHOL is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on March 10, 2021 can be accessed at <http://www.saharating.com>.

AG Holding is rated with **9.29** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. The Company carries out the investor relations obligations through the Investor Relations Unit. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a publicly disclosed dividend policy of the Company. On the other hand, there are areas for improvement like adoption as it is, of the rate of minority rights as prescribed for public joint stock companies (%5), and existence of privileges to nominate candidates to the Board of Directors.

AG Holding attained **9.81** under the **Public Disclosure and Transparency** chapter. The Company has a comprehensive web site. Public announcements are made via all communications channels and are in accordance with the Capital Markets Board (CMB) and Borsa Istanbul (BIST) rules and regulations. Annual Report complies with the legislation, is comprehensive and informative. The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been disclosed to the public through the Public Disclosure Platform (PDP) in accordance with the legislation, and included in the Annual Report. The agreement and work conducted with the external auditor complies with the legislation. Nevertheless, absence of a publicly disclosed donation policy and non-disclosure of the benefits provided to Board members and senior management on individual basis are areas in need of further refinement.

On the topic of **Stakeholders**, AG Holding scored **9.95**. The Company guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. The Company has a written and advanced human resources policy and a separate web site on human resources activities. Code of ethics is publicly available through AG Holding's web site. During the rating period, the Company was not held liable by any public authorities for any sanctions. AG Holding has established a written compensation policy for its employees and disclosed it to the public through its web site.

From the perspective of the principles regarding the **Board of Directors**, AG Holding's tally is **9.30**. The Board fulfills all duties regarding Company needs. The Board consists of 12 members, of which 4 are independent members. A Corporate Governance Committee, an Audit Committee, and a Committee for Early Detection of Risks are established within the Board of Directors and their working principles are disclosed to the public. Principles of remuneration of Board members and senior executives are available on the Company's web site. In addition, as per the Corporate Governance Principles Communiqué, defects and damages that may be caused by the Board members during the execution of their duties have been insured with an amount exceeding 25% of the Company's capital. However, the absence of female members in the Board of Directors has been identified as an area open for improvement under this heading.

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.


SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.22).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**  
Public Disclosure and Transparency: **25%**  
Stakeholders: **15%**  
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

## Company Overview

AG Anadolu Grubu Holding A.Ş.	
 ANADOLU GRUBU	<b>Chairman of the Board</b> Tuncay Özilhan  <b>Chief Executive Officer</b> Hürşit Zorlu
Fatih Sultan Mehmet Mahallesi, Balkan Caddesi, No:58 Buyaka (E) Blok Tepeüstü, Ümraniye, İstanbul <a href="http://www.anadolugrubu.com.tr">http://www.anadolugrubu.com.tr</a>	<b>Investor Relations Director</b> Mehmet Çolakoğlu Tel: (0216) 578 8500 <a href="mailto:mehmet.colakoglu@anadolugrubu.com.tr">mehmet.colakoglu@anadolugrubu.com.tr</a>

AG Anadolu Grubu Holding A.Ş. is a holding company established by the Özilhan and Süleyman Kâmil Yazıcı Families to ensure the management of its subsidiaries in line with the principle of equal representation and equal management.

AG Anadolu Grubu Holding A.Ş. is mainly active in the Beer, Beverage, Retail, Agriculture, Automotive, Stationary, Quick-Service Restaurants, and Energy sectors. In addition, social organizations such as Anadolu Foundation, Anadolu Health Center and Anadolu Efes Sports Club are under the Holding's umbrella.

Public shares of the Company are traded under "AGHOL" code at BIST Stars Market and AG Holding is a constituent of BIST ALL SHARES (XUTUM), BIST ALL SHARES-100 (XTUMY), BIST CORPORATE GOVERNANCE (XKURY), BIST FINANCIALS (XUMAL), BIST STARS (XYLDZ), BIST ISTANBUL (XSIST), BIST HOLDING AND INVESTMENT (XHOLD) and BIST SUSTAINABILITY (XUSRD) indices.

Capital Structure of the Company is as follows:

AG Anadolu Grubu Holding A.Ş. Capital Structure		
Shareholders	Share Value (TL)	Share %
AG Sınai Yatırım ve Yönetim Anonim Şirketi*	118,473,685.17	48.65
Azimut Portföy SKY Free Private Fund	18,771,557.00	7.71
Other **	106,289,275.79	51.35
<b>Total</b>	<b>243,534,517.96</b>	<b>100.00</b>

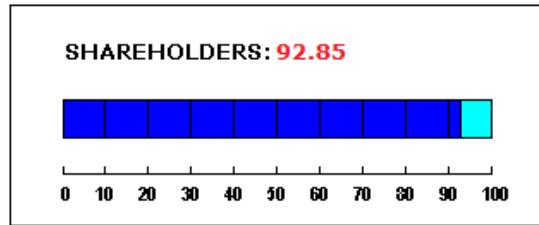
(\*) Shareholders of AG Sınai Yatırım ve Yönetim Anonim Şirketi are Kamil Yazıcı Yönetim ve Danışmanlık A.Ş. and İzzet Türkan Özilhan Yönetim ve Danışmanlık A.Ş., each with a share of 50%.

(\*\*) Shares held by Özilhan and Yazıcı Family members plus free float.

AG Holding's Board of Directors is composed as follows:

<b>AG Anadolu Grubu Holding A.Ş. Board of Directors</b>		
Tuncay ÖZİLHAN	Chairman of the Board	Non-executive
Kamilhan Süleyman Yazıcı	Vice-chairman	Non-executive
Talip Altuğ Aksoy	Board Member Member of the Committee for Early Detection of Risks	Non-executive
Tevfik Bilgin	Board Member Corporate Governance Committee Member	Non-executive
Tuğban İzzet Aksoy	Board Member	Non-executive
Efe Yazıcı	Board Member	Non-executive
Recep Yılmaz Argüden	Board Member Corporate Governance Committee Member	Non-executive
Rasih Engin Akçakoca	Board Member Member of the Committee for Early Detection of Risks	Non-executive
Ali Galip Yorgancıoğlu	Board Member Audit Committee Member	Independent
Uğur BAYAR	Board Member Corporate Governance Committee Chairman	Independent
İzzet Karaca	Board Member Chairman of the Committee for Early Detection of Risks	Independent
Mehmet Ercan Kumcu	Board Member Audit Committee Chairman	Independent

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Equal treatment of shareholders.
+	Active investor relations unit.
+	General shareholders' meetings are conducted in compliance with the legislation.
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory.
+	Publicly disclosed dividend policy.
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital.
-	No policy on donations.
-	Privileges on Board nominations.

### 1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The Company carries out the investor relations obligations through the Investor Relations Unit.

Employees of this unit are active and willing on exercise of corporate governance principles at the Company.

Along with other departments of the Company, the "Investor Relations Unit" plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review information, and its duties are as follows:

- Ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- Respond to the queries of the shareholders requesting written information on the Company.
- Ensure that the general shareholders' meeting is held in compliance with the applicable legislation, articles of association and other Company by-laws.
- Prepare the documents that might be used by shareholders in the general shareholders' meeting.
- Supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

The Investor Relations Unit submits a report to the board of directors at least once a year on its conducted activities.

Information and explanations that may affect use of shareholders' rights are available and up to date on the corporate web site.

Investor Relations Director, Mr. Mehmet Çolakoğlu and Investment Relations Manager Mr. Burak Berki are both holders of Capital Market Activities Level 3 and Corporate Governance Rating Specialist Licenses as stated in the Corporate Governance Principles Communiqué.



## **1.2. Shareholders' Right to Obtain and Evaluate Information:**

We did not come across to any hindering process or application within the rating period regarding the appointment of a special auditor at the request of shareholders.

All kinds of information about the Company are provided in a complete, timely, honest, and diligent manner and there is no fine/warning received in this regard.

The Company has constituted a disclosure policy and submitted to shareholders at the general shareholders' meeting, and disclosed it to the public on the corporate web site.

## **1.3 Minority Rights:**

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Company.

## **1.4. The General Shareholders' Meeting:**

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on May 25, 2021 is performed through all means of communication available to the Company on April 29, 2021 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Besides, the Company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting, following documents are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the Company, and the electronic media;

- The annual report,
- Financial statements and reports,
- The Corporate Governance Compliance Report and the Corporate Governance Information Form,
- All other related documents pertaining to the agenda items,
- The dividend distribution proposal.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site;

- a. Total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, number of shares and voting rights reflecting the privileged share group within the

Company capital, and the nature of the privileges.

- b. Grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Company and its related parties, whether they are independent or not, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

The general shareholders' meeting for 2020 was held at the Holding headquarters.

As per the meeting minutes; items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions.

Agenda of the general shareholders' meeting included the proposal for the permission to be granted to shareholders who have control of the management, members of the Board of Directors, managers with administrative responsibility, their spouses and up to second degree blood relatives to execute transactions and compete with the Company and/or its affiliates, to make a commercial business transaction for himself or on behalf of others or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility and it has

been declared that there has been no such proceeding.

The members of the Board of Directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

In addition, shareholders are informed, with a separate agenda item, on all donations effectuated during the period, and total benefits and beneficiaries at this meeting.

However, even though partly addressed in the Articles of Association, there is no actual policy on donations and grants.

There is no clause in the Articles of Association on permitting the attendance of stakeholders and media to the general shareholders' meetings with no voting rights.

General shareholders' meeting is attended by the representative of the external auditor.

### **1.5. Voting Rights:**

At AG Holding all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and the Company avoids applications that make it difficult to exercise voting rights.

According to the Company's Articles of Association, there is a privilege to nominate candidates for the Board of Directors. Group B shareholders have the privilege to nominate half of the members of the Board of Directors. The relevant article is as follows: 'The Board consists of twelve members. These members shall be elected at the

general shareholders' meeting within the framework of the provisions of the Turkish Commercial Code and Capital Markets Law, provided that they are among the candidates proposed by six Group (B) shareholders.'

#### **1.6. Dividend Rights:**

The dividend policy of AG Holding is clearly defined. It is submitted to the shareholders' approval at the general shareholders' meeting and disclosed to the public on the Company's web site. The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

As mentioned on the dividend policy document, conviction is reached that a balanced policy is followed between the interests of the shareholders and that of the Company.

In addition, the Articles of Association contain a provision on advance dividend payments.

There are no privileges in terms of partake on the profit.

The dividend distribution proposal of the Board of Directors was accepted as it is at the general shareholders' meeting of May 27, 2021. It was decided for a dividend distribution of TL 40,000,000 on the profit for the fiscal year 2020, corresponding to gross 16.42% of the paid-in capital as follows;

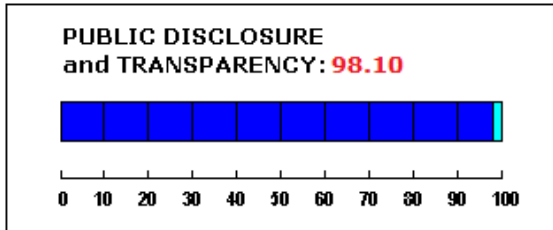
- Shareholders who are full taxpayer institutions would receive a dividend of TL 0.1642 corresponding to 16.42% net cash for each share at the nominal value of One TL.
- Individual shareholders will receive a dividend of TL 0.1396 corresponding to 13.96% net cash

for each share at the nominal value of One TL.

#### **1.7. Transfer of Shares:**

No complicating practices have been found to allow the transfer of shares freely.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Comprehensive web site, actively used for public disclosure, English version exists.
+	Annual report complies with the legislation, comprehensive and informative.
+	Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) prepared and disclosed to the public pursuant to the relevant legislation.
+	List of ultimate controlling individual shareholders are disclosed to the public.
+	Agreement and studies conducted with external auditors comply with the legislation.
-	Benefits provided to Board members and senior executives are not mentioned on individual basis.

Company's web site is comprehensive and user friendly. The site is also prepared in English for the benefit of international investors.

Public announcements are made in accordance with the CMB and BIST rules and regulations. The annual report prepared is comprehensive and complies with the legislation.

The Company's shareholding structure; the names, amount and rate of the shares along with the privileges

held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public.

There has been no legal conflict between the Company and the external audit firm. There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion.

The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been prepared and disclosed through the Public Disclosure Platform (PDP) at least three weeks prior to the general shareholders' meeting.

Whereas non-disclosure of benefits provided to Board members and senior management on individual basis in the annual report stands out as an issue to be developed.

### 2.1. Corporate Web Site:

Company's web site ([www.anadolugrubu.com.tr](http://www.anadolugrubu.com.tr)) is actively used for disclosure purposes and the information contained therein is updated.

Along with the information required to be disclosed pursuant to the legislation, the Company's web site includes; trade register information, information about latest shareholder and management structure, detailed information on privileged shares, the final version of the Company's Articles of Association, publicly disclosed material information, periodical financial statements, annual reports,

agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, frequently asked questions including requests for information, questions and notices, and responses thereof. Even though there is no established and publicly disclosed donation policy of the Company, there are arrangements in this matter in the Articles of Association.

In this context, information on at least the last 5 years can be reached on the web site.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the Company also discloses financial statements on PDP and simultaneously in English.

The information contained on the web site exists also in English for the benefit of international investors.

The Company's web site also includes; investor presentations, working principles of the Committees, important Board decisions under the heading of material disclosures, information on capital increases and dividend payments, general shareholders' meeting internal guidelines, information on senior management, financial data, main ratio analysis, timetable on events/developments which considers investors, web site privacy/security policy and the human resources policy.

## **2.2. Annual Report:**

Annual report is prepared in detail by the Board of Directors to provide public access to complete and accurate information on the Company and it covers information such as;

- a. Period covered by the report, the title of the Company, trade register number, contact information.
- b. The names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates).
- c. The sector in which the affiliates operate and information on their position in the sector.
- d. Progress on investments, the eligibility status on incentives, and to what extent.
- e. CGIF and CRF templates.
- f. Related party transactions.
- g. Other issues not included in the financial statements, but are beneficial for users.
- h. Company's organization, capital and ownership structure and any changes in the related accounting period.
- i. All benefits provided to staff and workers, information on number of personnel.
- j. Explanation on privileged shares and their amounts.
- k. Board members' transactions with the Company on their behalf or someone else within the framework of permission granted by general shareholders' meeting along with their activities within the scope of restraint of trade.
- l. Research and development activities.
- m. The dividend distribution policy.

- n. Basic ratios on the financial position, profitability and solvency.
- o. Company's financing resources and risk management policies.
- p. Sustainability Principles Compliance Framework.
- q. Major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation following issues also took place in the annual report;

- a. Information on external duties of Board members and executives and their declarations of independence.
- b. Members of the Committees within the Board, the activities carried out, and working principles of the Committees.
- c. The number of Board meetings held during the year and status of participation of the members.
- d. Information on major court cases against the Company and possible consequences.
- e. Information on direct contributions to capital ratio with cross shareholding investments in excess of 5%.
- f. Information on benefits and vocational training of employees, and other Company activities that give rise to social and environmental results.
- g. Rating results.

On the other hand, benefits provided to Board members and senior executives are mentioned collectively,

but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

### **2.3. External Audit:**

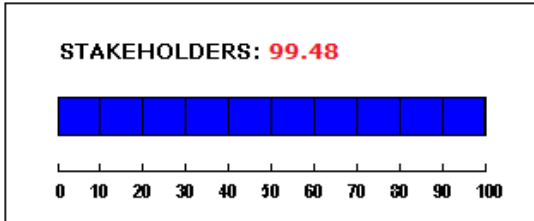
The external audit of the Company is conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion during the latest reporting period. It has been declared that there has been no legal conflict between the Company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. Neither a consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.



## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Efficient Human Resources Policy.
+	Publicly disclosed code of ethics.
+	Compliance with environmental laws. Top-tier Corporate Social Responsibility and Sustainability studies among the Holding companies.
+	A written employee compensation policy established and disclosed to public on the web site.

### 3.1. Company Policy Regarding Stakeholders:

We have not come across a significant or repetitive situation in which the rights of stakeholders established by any law or agreement are not recognized. The Company's corporate governance practices are in top level and AG Holding recognizes the rights of stakeholders established by law or through any other mutual agreement.

It is declared in the Annual Report that Anadolu Group Human Resources Policy is referenced in informing the employees and the Company is engaged in the management of its subsidiaries and participations, and there are no significant relations with stakeholders such as customers, suppliers, creditors or labor unions. Hence, there is no related information policy directed for those parties.

It is also specified in the Corporate Governance Compliance Report that the corporate governance structure of the Company ensures that its stakeholders, including its employees and representatives, report their concerns to the Audit Committee in charge of audit concerning any illegal or unethical transactions. Accordingly, the Audit Committee is responsible for monitoring whether a system regarding compliance to the Company's code of business conduct and ethical rules is established by the management. Additionally, the Audit Committee reviews whether the management monitors Company's compliance to code of business conduct and code of ethics, makes fraud risk assessments and gives code of business conduct and fraud and code of ethics trainings to Company employees.

In addition, Company officials declared that AG Holding's purchasing policy is based on tenders by evaluating the best two to realize purchases. A written employee compensation policy is established and disclosed to public on the web site

### 3.2. Stakeholders' Participation in the Company Management:

The Company has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the Company.

An annually conducted "Employee Satisfaction and Loyalty Survey" is developed in this context as a channel where employees can express their wishes and improvement demands.

In addition, employees can share their suggestions with the management via the "Bi Fikir" system developed by the Anadolu Group HR Department.

### **3.3. Company Policy on Human Resources:**

The Company's human resource practices are carried out under the Human Resources Policy of the Anadolu Group. In line with this policy, the following principles have been adopted in general;

- Aiming to create an HR potential possessing a global perspective and set of skills, without exercising discrimination on the basis of cultural differences.
- Targeting to contribute added value to the entire organization by increasing employee motivation and building on their skills.
- Espousing a business culture that constantly pursues the better, working as a team on the basis of knowledge in a business environment built on open communication and mutual trust, and working to put the same into life.
- Not discriminating on the basis of race, nationality, religion, sex and faith while maintaining any kind of relationship with its employees. The Company takes pride in the differences and cultural diversity of its employee body, and regards this diversity as a tool for development.
- Making it a principle to offer employees a safe and peaceful working environment and to take due care to protect their health.

- Deeming it as its duty to respect and protect the rights employees have by virtue of laws and regulations.
- Attaching great importance to training at every stage and level to gear up the employees for the future.

Company officials have declared that in cases which management reshuffle could cause disruptions, succession planning for determination of new manager appointments is in place.

All rights provided to employees are exercised fairly, training programs and policies are put in place to enhance employees' knowledge, skills and manners.

There are very few employees at the Company and there is no active trade union. However, there are active unions at the affiliates within the Holding.

### **3.4. Relations with Customers and Suppliers:**

Care is taken on the confidentiality of all trade secret data and information on customers and suppliers.

We have witnessed no evidence on non-market pricing of goods and services at the Company's business and operations.

### **3.5. Ethical Rules & Social Responsibility:**

The Company has prepared a set of code of ethics and disclosed it to the public on its web site.

Anadolu Group HR and Industrial Relations Department has prepared a report titled "Anadolu Group Working Principles" on this matter which is available for all employees.



On the other hand, in a bid to consolidate compliance with the capital market legislation and corporate governance practices at Anadolu Group, Anadolu Group Working Principles (Appendix) that has been prepared for the Group companies was enforced based on the Company's board of directors' resolution dated June 4, 2009 and later revised on March 26, 2014. The said document reminds the Group employees of their regulatory obligations with respect to misuse of information and also raises a "Black-out Period" practice that bans the trading of related Company stock for those who are included in the list of individuals with access to inside information at publicly-floated Group companies.

The Company has contributed more than 50 permanent artefacts related to education, health and social areas to the country through Anadolu Education and Social Assistance Foundation, which is supported by Anadolu Group companies. The Foundation works to create added value for the development of educators, in particular, and continues to contribute value and social benefit to the society through its "My Dear Teacher" initiative.

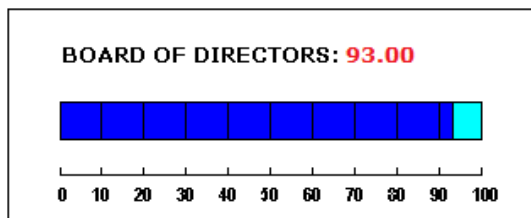
Representing one of the most notable projects of the Foundation, Anadolu Medical Center (ASM) began offering services in February 2005 as a general hospital in Gebze, İzmit. Having a strategic partnership with Johns Hopkins Medicine (JHM), one of the leading healthcare institutions in the USA, Anadolu Medical Center provides services in all branches, and is particularly specialized in cardiovascular health, cancer and hematology. In the latest report released by the Ministry of Health, ASM was cited as the "hospital admitting the most foreign patients in Turkey".

On the other hand, Anadolu Efes Sports Club which is established in 1976 by Anadolu Group in order to contribute to the development of sports is accomplishing success in basketball across Europe. Free of charge basketball schools organized by Anadolu Efes Basketball Club is opening the doors of a brighter future by teaching basketball to the younger generations through qualified instructors.

### **3.6 Sustainability:**

Although there is no operation of the Holding on its own, sustainability practices of companies within the Holding such as CCI, Anadolu Efes and Migros is satisfactory. In this sense the Company has a policy, internal regulations, objectives, initiatives and campaigns on environment, nature, energy saving, recycling and education issues.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The Board works efficiently and staffed with qualified members.
+	Board of Directors meeting and decision quorum is defined in the articles of association.
+	Conduct of the Board meetings is defined in writing with internal regulations.
+	Each member has a right to 1 vote.
+	4 independent Board members.
+	Audit Committee, Corporate Governance Committee and a Committee for Early Detection of Risks established.
+	Any potential losses incurred by the Company and third parties as a result of misconduct by executives are insured with an amount exceeding 25% of the capital.
-	No female Board members.

#### 4.1. Functions of the Board of Directors:

Strategic decisions of the Board of Directors aim to manage the Company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the Company. The Board administers and represents the Company within these parameters.

The Board of Directors has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance.

#### 4.2. Principles of Activity of the Board of Directors:

We have come to a conviction that the Board of Directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the Board of Directors is explained in the annual report.

The Board of Directors established various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees.

The presence, functioning, and effectiveness of internal controls and internal audit, is explained in the annual report.

The Board of Directors plays a leading role in maintaining effective communication between the Company and the shareholders and settling any disputes which may arise.

In addition, any potential losses incurred by the Company and third parties as a result of misconduct by the members of the Board of Directors are insured with an amount exceeding 25% of the capital, and disclosed to the public through PDP.

Analyzing the Company's organization, it is witnessed that there is no person

in the Company who has unlimited authority to make decisions alone and this is considered as positive by us.

#### **4.3. Structure of the Board of Directors:**

The Company's Board of Directors is composed of 12 members. There is no executive member on the Board. Among the non-executive Board members there are 4 independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates proposed by the Board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria, and submitted this assessment as a report to the Board of Directors for approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the Board of Directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

In addition, Company officials declared that there is a defined internal policy and a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female membership rate on the Board of Directors.

Nevertheless, absence of female Board members stands out as an area open for improvement.

#### **4.4. Conduct of the Meetings of the Board of Directors:**

The Board of Directors held 9 meetings in the operating period of 2020. The participation rate of 91% to these meetings is considered sufficient by us.

Chairman of the Board of Directors sets the agenda for Board meetings in consultation with the chief executive officer/general manager.

Information on the agenda items of the Board of Directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member is entitled to a single vote.

The meeting and decision quorums have been included in the Articles of Association of the Company. In addition, Board meetings can also be held in a remote access system.

The conduct of the Board of Directors meetings is documented in the Articles of Association.

There are no limitations introduced for the members taking on additional duties outside the Company. The external duties and grounds of the Board members are presented to the general shareholders' meeting where their nomination is discussed, with a distinction between intra-group and out-group activities.

#### **4.5. Committees Established Within the Board of Directors:**

A Corporate Governance Committee, an Audit Committee, and a Committee for Early Detection of Risks are established from within the Board of Directors in order to fulfill its duties and responsibilities.

Functions of the Committees, their working principles, and its members are designated by the Board of Directors and disclosed to the public on the corporate web site.

All members of the Audit Committee and the chairmen of the other Committees are elected among the independent Board members. The CEO/general manager and the

chairman of the Board of Directors are not on the Committees. With the exception of independent members, care is taken to avoid appointment of a Board member on multiple Committees.

Investor Relations Director, Mr. Mehmet Çolakoğlu is appointed as a member of the Corporate Governance Committee in terms of compliance with the Communiqué in question. There are no other executive members on the Committees.

All necessary resource and support needed to fulfill the tasks of the Committees are provided by the Board of Directors.

The Committees' meeting frequency has been found sufficient by us. In the 2020 operating period; the Corporate Governance and Audit Committees held 4 meetings each, and the Committee for Early Detection of Risks held 6 meetings.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the Board of Directors. In addition, it oversees the activities of the Investor Relations Unit.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and

finalizes them, notifies the Board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the Company and the external auditor notifies the Board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

Audit Committee members possess the qualifications listed in the Corporate Governance Principles communiqué.

The annual report contains information on working principles of the Audit Committee and number of written notices given to the Board of Directors within the fiscal year.

The external audit of the Company is conducted by DRT Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş. The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the Board and ends with the Board's choice being presented and approved at the general shareholders' meeting.

The Committee for Early Detection of Risks carries out its tasks towards early detection of risks which may jeopardize the Company's assets, its development and progression, and measures taken to mitigate and manage those risks.

The tasks of Nomination and Remuneration Committees are carried out by the Corporate Governance Committee. In this context the Committee works on determination of independent candidates and the remuneration policy.

#### **4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:**

and third parties, as a result of not performing the executives' duties duly.

The principles of remuneration of Board members and senior executives have been documented in writing and submitted to the shareholders' attention as a separate item at the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on the corporate web site. Stock options or performance-based payments are not included in the remuneration package of the independent board members.

The Company does not lend any funds or extend any credits to a member of the Board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

We have come to conclusion that the executives have the required professional qualifications in order to perform the assigned duties and they comply with the legislation, Articles of Association, and in-house regulations and policies in fulfilling their duties.

There have been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage.

Remuneration of the executives is based on market conditions and determined according to their qualifications, and proportional to their contributions to the performance of the Company.

Company officials declared that there is an insurance policy on compensation for losses incurred by the Company,

## Rating Definitions

Rating	Definition
9 - 10	The company performs <b>very good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs <b>good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the ISE Corporate Governance Index on the highest level.
6	The company performs <b>fair</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the ISE Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs <b>weakly</b> as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs <b>very weakly</b> and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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