

## Corporate Governance Rating Report



04 July 2024

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## Rating and Executive Summary

### Aksa Enerji Üretim A.Ş. (AKSEN)



Corporate Governance Rating:

**9.41**



MAIN SECTIONS: **Avg. 94.10**

Shareholders : 91.78



Public Disclosure & Transparency : 98.62



Stakeholders : 98.82



Board of Directors : 90.52



0 10 20 30 40 50 60 70 80 90 100

## EXECUTIVE SUMMARY

The Corporate Governance Rating of 9.13 that has been assigned to Aksa Enerji Üretim A.Ş. ("Aksa Energy" or "the Company") on July the 4<sup>th</sup> 2023 is hereby revised as **9.41**. SAHA's rating methodology is based on the Capital Markets Board's ("CMB") "Corporate Governance Principles" ("the Communiqué") released on January of 2014.

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.. Aksa Energy 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 July 12, 2023 can be accessed at <http://www.saharating.com>.

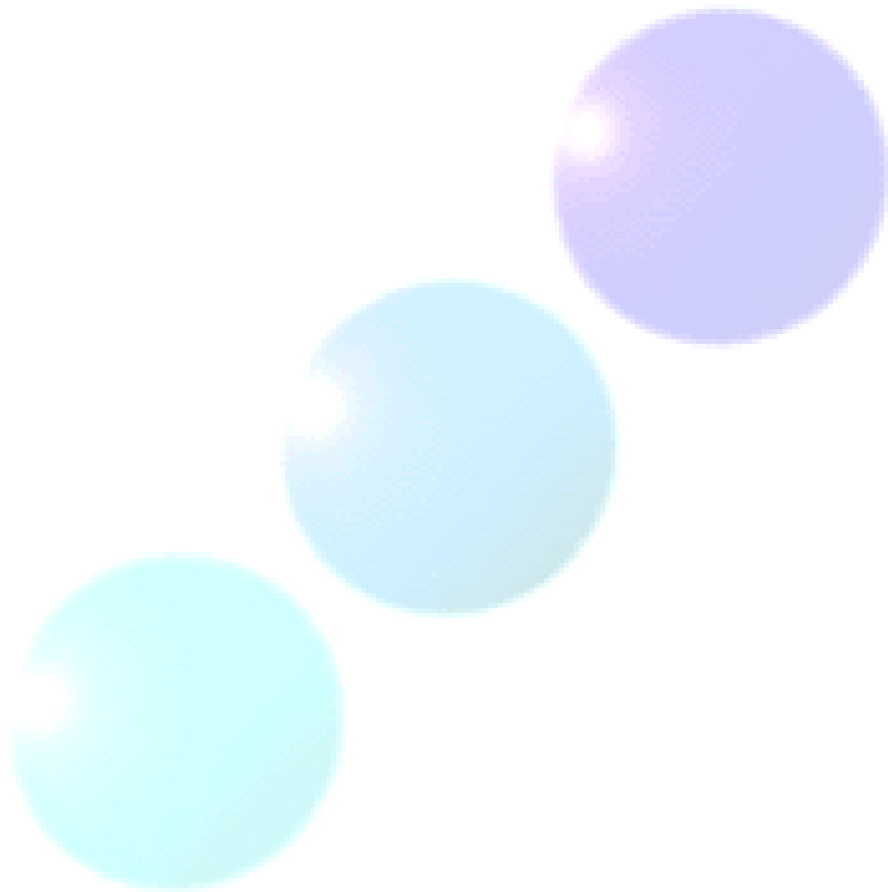
Aksa Energy is rated with **9.18** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Aksa Energy carries out the investor relations obligations through the Investor Relations Unit. Although there is no privilege in the use of voting rights, Group A shares are privileged to nominate candidates in the election of the members of the Board of Directors. Utmost attention is given to the exercise of minority rights. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation. A policy on donations and grants is established and submitted to the general shareholders' meeting for approval. There is a publicly disclosed, consistent dividend policy of the Company. There are no restrictions on transfer of shares. On the other hand, the prescribed rate of minority rights for public joint stock companies (5%) is adopted as it is in the Articles of Association of the Company.

Aksa Energy attained **9.86** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site that includes all information listed in the CMB's Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul A.Ş. (BIST) rules and regulations. The Company's shareholding structure; the names and rate of shares 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. Company's web site is also prepared in English for the benefit of international investors. However, benefits provided to Board members and senior executives are not listed on individual basis in the Annual Report.

On the topic of **Stakeholders**, Aksa Energy scored **9.88**. The exercise of stakeholders' rights has been facilitated. A written compensation policy for the employees is established and disclosed to the public on the corporate web site. During the rating period, the Company was not held liable by any public authority for any fine/sanctions. Code of ethics is publicly available through the Company's web site. Aksa Energy has a documented human resources policy. Sustainability policy and its implementations are highly comprehensive. The social responsibility projects realized are at top level. Models to support stakeholders' participation in the Company management have been established, but such models are not documented in the internal regulations.

From the perspective of the principles regarding the **Board of Directors**, Aksa Energy's tally is **9.05**. The Company's Board of Directors is structured in accordance with the Communiqué and carries out its activities in a transparent, accountable, fair and responsible manner. However, the chairman of the Board of Directors and the general manager are the same person and have unlimited decision-making authority in the Company. The amount of directors' liability insurance is also below the limit specified in the Communiqué. The Board of Directors consists of 9 members, with 4 holding executive duties. There are 3 independent and 2 female Board members. There is a female Board membership policy approved by the Board of Directors. CMB criteria are complied with in designation of the independent members. Independent members have written declarations of independence. Corporate Governance, Audit and Early Detection of Risk Committees are established within the Board of Directors. The working principles of the Committees are disclosed to the public. Principles of remuneration of Board members and senior executives are available on the Company's web site. The Company does not lend any funds or extend credit to the members of the Board of Directors or senior executives. On the other hand, the remunerations and

all other benefits provided to the members of the Board of Directors and executives with administrative responsibilities are not disclosed to the public on an individual basis through the Annual Report.



## 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.26).

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

Akse Enerji Üretim A.Ş.	
	<b>Chairman of the Board of Directors &amp; CEO</b> Cemil KAZANCI
Rüzgârlıbahçe Mah., Özalp Çıkmazı, No: 10, Kavacık, Beykoz, İstanbul <a href="http://www.aksaenerji.com.tr">www.aksaenerji.com.tr</a> <a href="http://www.aksainvestorrelations.com/">www.aksainvestorrelations.com/</a>	<b>Investor Relations and Sustainability Director</b> Pınar SAATÇIOĞLU Tel: 0216 681 10 53 <a href="mailto:investorrelations@aksaenerji.com.tr">investorrelations@aksaenerji.com.tr</a>

Founded in 1997, Akse Energy is the largest publicly traded electricity producer in Turkey, operating in seven countries. Akse Energy carries out all power plant installation processes in-house, from project design to procurement, construction, and installation. To date, the Company has built and operated more than 30 power plants utilizing various energy sources such as biogas, natural gas, wind and hydroelectricity. In Turkey, Akse Energy's electricity generation portfolio includes a 900 MW natural gas combined cycle power plant in Antalya and a 270 MW thermal power plant in Bolu, as well as a 188 MW fuel oil power plant in the TRNC. Following the TRNC, Akse Energy expanded into the African market with power plants in Ghana (370 MW), Madagascar (66 MW) and Mali (60 MW). As part of its geographical diversification strategy, Akse Energy's installed capacity reached 2,756 MW with the commissioning of natural gas power plants with a total installed capacity of 740 MW in Uzbekistan's capital Tashkent and Bukhara in March 2022.

With roots dating back to the 1950s, Kazancı Holding, the major shareholder of Akse Energy, operates in production activities on four continents, at 24 countries, housing more than 10,000 employees with exports to 178 countries around the world. Kazancı Holding, through its subsidiaries, is one of the leading groups in the energy sector, engaged in power generation, electricity distribution and sales, natural gas distribution, and generator production and sales. In addition to energy, the Holding is also active in agriculture and tourism.

The Company shares are traded under AKSEN code at Borsa İstanbul since 2010 and Akse Energy is a constituent of BIST PARTICIPATION 50 / BIST 100-30 / BIST CORPORATE GOVERNANCE / BIST İSTANBUL / BIST PARTICIPATION 100 / BIST PARTICIPATION ALL-SHARES / BIST SERVICES / BIST SUSTAINABILITY / BIST ALL-SHARES / BIST STARS / BIST 500 / BIST 100 / BIST PARTICIPATION SUSTAINABILITY and BIST ELECTRICITY indices. Akse Energy has also been included in the MSCI Turkey index since May 2021 and the FTSE Russell Emerging Europe Countries index since September 2022.

The current capital structure of the Company is given below:

<b>Capital Structure</b>		
<b>Shareholders</b>	<b>Share Value (TL)</b>	<b>Share %</b>
Kazancı Holding A.Ş.	973,901,660.00	79.42
Bülent Büyükuğur	65,688,610.01	5.36
Other	186,747,965.99	15.22
<b>Total</b>	<b>1,226,338,236.00</b>	<b>100.00</b>

<b>Real and Legal Persons with Indirect Ownership of Capital</b>		
<b>Shareholders</b>	<b>Share Value (TL)</b>	<b>Share %</b>
Ali Metin Kazancı	282,528,871.57	23.04
Şaban Cemil Kazancı	587,067,920.65	47.87
Mehmet Kazancı	57,265,417.61	4.67
Tülay Kazancı	47,039,450.18	3.84
Necati Baykal	9,739.02	0.00

<b>Board of Directors</b>	
<b>Members</b>	<b>Title</b>
Şaban Cemil Kazancı	Chairman of the Board Executive
Ahmet Serdar Nişli	Vice-chairman Executive
Naci Ağbal	Vice-chairman Executive
Tülay Kazancı	Board Member
Ömer Muzaffer Baktır	Board Member
Korkut Öztürkmen	Board Member Executive
İlhan Helvacı	Independent Board Member
Halit Haydar Yıldız	Independent Board Member
İlkay Demirdağ	Independent Board Member

*\*The Board of Directors consists of 9 members, four of whom have executive duties in the Company.*

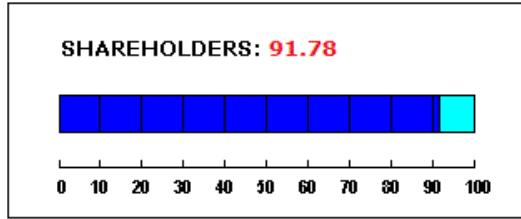


Corporate Governance Committee	
Members	Title
İlkay Demirdağ	Chairman
Halit Haydar Yıldız	Member
Pınar Saatçioğlu	Member

Audit Committee	
Members	Title
Halit Haydar Yıldız	Chairman
İlkay Demirdağ	Member

Early Detection of Risk Committee	
Members	Title
Halit Haydar Yıldız	Chairman
İlhan Helvacı	Member

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Active and efficient Investor Relations Unit.
+	Disclosure Policy submitted to the general shareholders' meeting and included on the corporate web site.
+	Policy on donations and grants is established and submitted to the general shareholders' meeting for approval.
+	General shareholders' meetings are conducted in compliance with the legislation.
+	Specific and consistent dividend distribution policy.
+	No restrictions on transfer of shares.
+	Utmost attention is given to the exercise of minority rights.
+	No voting privileges.
=	The Company has adopted the rate foreseen in the legislation for listed companies (5%).
-	Group A shares have the privilege to nominate candidates to the Board of Directors.

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

The Investor Relations Unit, which started its activities on May 21, 2010, when the Company shares were first traded on Borsa Istanbul, carries out the role of relations with shareholders at Aksa Energy. The Investor Relations

Unit, which is tasked with the internalization and development of Corporate Governance practices and whose activities are overseen by the Company's Corporate Governance Committee, reports to the Vice President of Financial Affairs.

Ms. Pinar Saatçioğlu, serving as Aksa Energy Investor Relations and Sustainability director, and Corporate Governance Committee Member, holds Capital Markets Advanced Level and Corporate Governance Rating licenses. Investor Relations Manager Ms. Sena Atay holds Advanced Level, Derivatives and Corporate Governance Rating licenses.

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;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the Company.
- To ensure the general shareholders' meeting is held in compliance with the applicable legislation, Articles of Association and other Company by-laws.
- To prepare the documents that might be used by shareholders in the general shareholders' meeting.

- e) To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

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.

At Aksa Energy, all shareholders are offered the opportunity to attend contact meetings in addition to the general shareholders' meeting, and investor conferences and meetings are held throughout the year to inform shareholders and investors. In this context, the Company organized 1 analyst meeting and 5 teleconferences during the reporting period. Also, meetings were held with a total of 30 investors/analysts.

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

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders. All kinds of information about the Company that do not have the characteristics of a trade secret are provided in a complete, timely, honest, and diligent manner.

The Company's disclosure policy has been submitted to the general shareholders' meeting and is available on the corporate web site.

### **1.3. General Shareholders' Meeting:**

In addition to the methods of invitation in the legislation and to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting held on

June 5<sup>th</sup>, 2024 covering 2023 fiscal year is performed through all means of communication available to the Company on May 10, 2024 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; the Annual Report, financial statements and reports, and all other related documents pertaining to the agenda items are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Company, and the electronic media.

Shareholders are informed of the total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure and in accordance with Article 9 of the Articles of Association, the shareholders were informed about the privilege of nominating candidates in the election of the members of the Board of Directors and that there is no privilege regarding voting rights.

It is stated in the General Shareholders' Meeting Information Document that there are no changes in management and operations that will significantly affect the Company's activities and that there will be a new Board member election on the general shareholders'

meeting agenda. In addition, information was provided on candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of the relationship of the Company and related parties, and whether it has the quality of independence.

Likewise, it was shared that shareholders did not submit any requests to the Investor Relations Department regarding the inclusion of any items on the agenda.

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.

It has been declared that 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.

The issue of allowing the members of the Board of Directors to transact with the Company within the scope of Articles 395 and 396 of the Turkish Commercial Code and to carry out commercial transactions within the scope of the Company's business was included in the agenda of the general shareholders' meeting.

The members of the Board of Directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements, auditors and representatives of the external audit company were present to give necessary information and to answer

questions at the general shareholders' meeting.

The Company has established a policy on donations and grants and submitted it for the approval to the general shareholders' meeting. Shareholders were informed, with a separate agenda item, on all donations and grants effectuated during the period and the amount of benefits and beneficiaries.

There is a provision in the internal directive of the general shareholders' meeting regarding the participation of the stakeholders and the public, including the media, without the right to vote.

#### **1.4. Voting Rights:**

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

The shares of the Company are divided into two groups as A and B. Group A shares are privileged to nominate candidates in the election of the members of the Board of Directors pursuant to Article 9 of the Articles of Association, and this privilege does not prevent the representation of the holders of publicly held shares in the management. There are no privileges regarding voting rights.

#### **1.5. Minority Rights:**

Maximum care is given to the exercise of minority rights at Aksa Energy. 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 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.

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

The dividend policy of the Company is clearly defined and disclosed to the public on the corporate web site and submitted to the shareholders for approval at the general shareholders' meeting.

The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

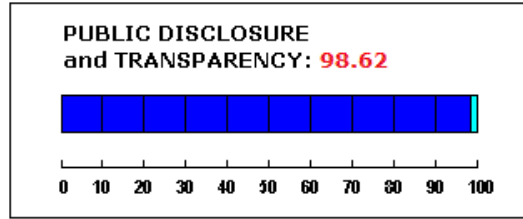
A balanced policy is followed between the interests of the shareholders and that of the Company.

In fiscal year 2023, since there was distributable profit for the period in the financial statements prepared in accordance with the provisions of the Tax Procedure Law, the issue of distributing dividends, together with its justification, was submitted to the approval of the ordinary general shareholders' meeting and approved unanimously.

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

Neither the Articles of Association of the Company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Comprehensive web site, actively used for public disclosure.
+	Annual Report complies with the legislation, comprehensive and informative.
+	Important events and developments disclosed in accordance with the legislation.
+	English version of the web site for international investors.
+	Ultimate controlling individual shareholders disclosed to public.
-	All benefits provided to Board members and senior executives are not listed on individual basis.

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 and responses thereof.

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 and updated bi-annually as per the minimum requirement.

The information contained on the web site exists also in English (exactly same with the Turkish content) for the benefit of international investors.

### 2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the information contained therein is timely 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, information on inexistence of privileged shares, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's Articles of Association, publicly disclosed material information, Annual Reports, periodical financial statements, prospectuses and circulars and other public disclosure documents,

The Company's web site also includes; investor presentations, information on Committees and their working principles, policy on donations and grants, other in-house policies, credit rating results and relevant reports, information on Company shares, investor relations calendar, important Board decisions under the heading of material disclosures, the vision/mission of the Company established by the Board, web site terms of use, information on privacy, security and protection of personal data, social responsibility/sustainability reports, corporate governance compliance report, information on senior management, financial data, main ratio analysis, and the human resources policy.

As mentioned in the Annual Report, the 2023 Corporate Governance Compliance Report ("CRF") and the Corporate Governance Information Form ("CGIF") approved by the Company's Board of Directors can be reached on the Public Disclosure platform via the Corporate Governance tab under Summary Information.

Aksa Energy disclosed its CGIF and CRF notifications via PDP on May the 9<sup>th</sup> 2024, within the specified notification period.

## 2.2. Annual Report:

The Annual Report is prepared in detail by the Board of Directors to provide public access to complete and accurate information on the Company.

It covers information such as;

- Period covered by the report, the title of the Company, trade register number, contact information,
- 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),
- The sector in which the Company operates and information on its position in the sector,
- Qualifications of the production units, capacity utilization rates, explanations related to sales volume and price, sales conditions and yearly developments, productivity rates and causes of significant changes compared to previous years,
- Progress on investments,
- Information on related party transactions,

- Other issues not included in the financial statements, but are beneficial for users,
- Company's organization, capital and ownership structure and any changes in the related accounting period,
- All benefits provided to staff and workers, information on number of personnel,
- Explanation on privileged shares and their amounts,
- Research and development activities,
- The dividend distribution policy,
- Basic ratios on the financial position, profitability and solvency,
- Company's financing resources and risk management policies,
- Major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated (included in the Independent Audit Report).

In addition to the matters specified in the legislation, following issues also took place in the Annual Report;

- Company Management and Declarations of Independence,
- Members of the Committees within the Board, evaluation of the Board of Directors on the efficiency of the Committees including the activities carried out and working principles of the Committees,
- The number of Board meetings held during the year and status of participation of the members,



- Information on changes in legislation which could significantly affect the Company's operations,
- Information on major court cases against the Company and possible consequences,
- Information on direct contributions to capital ratio with cross shareholding investments over 5%,
- Information on benefits and vocational training of employees, and other Company activities that give rise to social and environmental results,
- Rating results,
- Declaration on Corporate Governance Compliance.

However, all benefits provided to Board members and senior executives are mentioned collectively, but best application of Corporate Governance Communiqué 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 SMMM A.Ş. (a Deloitte Touche Tohmatsu Ltd. member).

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.

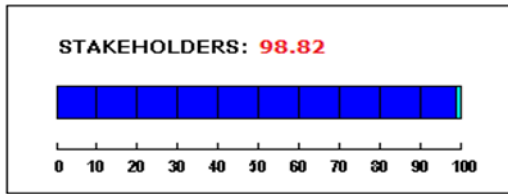
It has been declared that there has been no legal conflict between the Company and the external audit firm. Independent audit firm and their audit staff did not provide consulting services

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 for the same period.



## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated.
+	Ethical Board established.
+	A set of code of ethics is prepared and disclosed to public.
+	A compensation policy for employees established.
+	Company is not held liable by any public authority for any fine/sanctions within the rating period.
+	Comprehensive social responsibility activities.
+	Highly comprehensive sustainability policy.

### 3.1. Company Policy Regarding Stakeholders:

Aksa Energy recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Company protects the interest of stakeholders under good faith principles and within the capabilities of the Company. Effective and expeditious compensation is provided in case of violation of the rights.

A compensation policy for employees is included in the Remuneration Policy text on the Company's web site.

The corporate web site is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

Corporate governance structure of the Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

An Ethics Committee was established within the Company. The Ethics Committee consists of 1 Aksa Energy Board Member, Group President / Group Vice President, Vice President of Human Resources, Legal Counsel and Vice President of Audit.

Access to the notification mechanism is provided via [etik@aksa.com.tr](mailto:etik@aksa.com.tr) or 0 850 511 11 12 Ethics Line. There are also complaint and notification mailboxes at power plants and the Head Office.

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

At Aksa Energy, Suggestion Boxes at the Headquarters and power plants are used as a model for stakeholders, particularly employees to participate in management without impeding the operations of the Company. In addition, feedback/suggestions are received through stakeholder surveys that are conducted every 5 years since 2015.

In the Company, it is essential to keep all communication channels open and to remove all obstacles to the participation of employees in the management. For this purpose, the Occupational Health and Safety Committee, Ethics Line phone number and e-mail address, Write to Us

Platform on the web site, Sustainability Committee and Working Group applications are used within the Group. In addition, there is a "Request, Suggestion and Complaint Management Procedure" document.

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

The Company has a written human resources policy which is available on the corporate web site.

Within this scope, the Company offers equal opportunity to persons with the same qualifications in recruitment and career planning.

In cases which management reshuffle could cause disruptions, succession planning for determination of new manager appointments is in place. The Board of Directors is developing the necessary succession plans.

The criteria for recruitment are determined in writing and adhered to. Employees are treated equally with regard to their rights. Training programs are organized and training policies are developed to enhance the knowledge, skills, and conduct of personnel.

Meetings are held for employees on matters such as financial status of the Company, wage, career, education and health.

Decisions taken regarding employees or developments concerning employees are communicated to them or their representatives.

Job descriptions have been established for all employees and performance criteria have been set for specialists and above.

Productivity is taken into account in determining the wages and other benefits of employees.

Measures such as procedures, trainings, awareness raising, targets, monitoring and complaint mechanisms are provided and the Company takes all precautions to prevent any discrimination on the basis of race, religion, language or gender as well as any attitudes towards employees that could physically, mentally or emotionally affect employees.

Although there is no union structure within the Company, Aksa Energy has declared that it supports the effective recognition of the right to freedom of association and collective bargaining.

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

Since Aksa Energy does not sell energy to the final consumer, it does not measure customer satisfaction. On the other hand, there is no evidence on non-market pricing of goods and services that the Company offers. Quality standards are complied with in these goods and services and care is taken to maintain the standard.

Confidentiality of information about customers and suppliers is taken into account within the scope of trade secret.

### **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.

The Company has not been subject to any significant sanctions, fine or warning during the course of last year by the public administrations.

Aksa Energy supports and respects internationally recognized human rights

and has established a Human Rights Policy for this purpose and announced it to the public on its web site.

In addition, an Anti-Bribery and Anti-Corruption Policy has been established and disclosed to the public on the web site in order to combat all kinds of corruption, including extortion and bribery.

Aksa Energy defines all people and institutions that are directly or indirectly affected by its business operations, as its stakeholders. The Company aims to create value for this wide stakeholder base with a sense of social responsibility. In this direction, it conducts studies social responsibility activities to contribute to the economic, social and cultural development of the local communities within its field of activities.

Comprehensive information on social responsibility (social aid campaigns, Our Energy is for Tomorrow and Aksa Fotofest) is available on the Company's web site.

### **3.6 Sustainability:**

Aksa Energy has included the relevant section in its Annual Report in accordance with the "Sustainability Compliance Principles Framework" published by the CMB.

The most recent Sustainability report is for 2022. The process for 2023 is ongoing and the relevant report is planned to be published in September 2024.

Since 2015, Aksa Energy continues to be included in the Sustainability Index, which includes companies that have been listed on the Borsa Istanbul and whose corporate sustainability performances are at top level.

The Company closely monitors sustainability issues such as social

impacts, environmental impacts, climate change and commercial sustainability.

As a global energy company with power plants in seven countries, Aksa Energy shapes its business and sustainability strategy and approaches sustainability under the headings of "Environmental Sustainability", "Employees" and "Social Responsibility".

The Company has policies and internal regulations on energy, environment, quality, occupational health and safety, and corporate social responsibility.

The Company holds ISO 50001 Energy Management System, ISO 9001 Quality Management System, ISO 45001 Occupational Health and Safety Management System, ISO 14001 Environmental Management System, and ISO 27001 Information Security Management System certifications.

In order to coordinate its sustainability initiatives, Aksa Energy established the Sustainability Committee in 2015, reporting directly to the Chairman of the Board of Directors and CEO.

Aksa Energy has been regularly preparing Greenhouse Gas Emission Reports since 2015 to monitor greenhouse gas emissions at its power plants. The reports are submitted to the Ministry of Environment and Urbanization after being verified by a certifying body authorized by the Ministry of Environment and Urbanization. The 2020 Greenhouse Gas Emission Reports were also started to be prepared at the beginning of the year and field audits were carried out and submitted to the Ministry of Environment and Urbanization in April 2021. Furthermore, the Company continues to inform its stakeholders about its environmental performance data, including energy consumption and greenhouse gas emissions, through its sustainability reports.

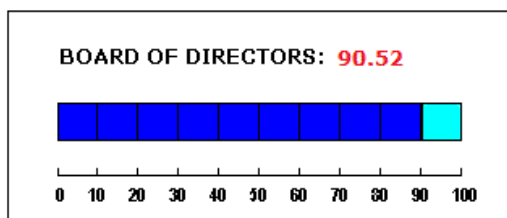
In order to minimize the environmental impact of its operations and reduce the emission of greenhouse gases, Aksa Energy uses combined cycle power plant technology to generate energy by using the heat of the waste gas generated during production processes, thereby reducing energy use by an average of 10% per unit. The Company generates energy from waste heat at all existing natural gas power plants and the Northern Cyprus Kalecik Fuel Oil Power Plant. Oxicat filters are also used in natural gas power plants to reduce greenhouse gas emissions. In addition, the Company ensures that all employees, including subcontractors, are informed through various communication channels and trainings to raise their awareness on combating climate change and energy efficiency.

With the principle of "Efficient Use of Resources," Aksa Energy runs its operations in an environmentally-conscious manner for a sustainable future and considers environmental sustainability as one of the three basic elements of its sustainability approach. Aksa Energy has adopted an Environmental Policy to ensure that this understanding is institutionalized and embraced by all stakeholders. The Environmental Policy of Aksa Energy is based on four main pillars: climate change, natural resource management, waste management and conservation of biodiversity. The Environmental Policy, which ensures that its performance towards sustainability targets is regularly inspected, monitored and shared, is based on efficiency, transparency, stakeholder participation and cooperation.

In addition, Aksa Energy signed "The Trillion Tonne Communiqué" in 2015, which is a declaration to the world from companies that are sensitive to climate change and demand measures to combat it, and the Company designs its energy investment in this context.

The Company's sustainability efforts are comprehensively discussed on its web site under the headings of reports, certificates, policies, corporate social responsibility, social responsibility, employees, climate change and energy, environmental sustainability, and sustainability approach.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	Structure of the Board of Directors is in accordance with the Communiqué and performs its activities in a transparent, accountable, fair, and responsible manner.
+	Three independent and two female Board members.
+	Audit, Corporate Governance and Early Detection of Risks Committees are established and working efficiently.
+	Principles of remuneration of Board members and senior executives are established and disclosed to the public.
+	Conduct of Board meetings is defined in internal regulations and included in the Articles of Association.
=	Manager Liability insurance is available and disclosed on PDP, but the coverage is below the limit set in the Communiqué.
-	The Chairman of the Board of Directors and the CEO are the same person and have unlimited decision-making authority in the Company.
-	Remuneration the members of the Board of Directors and executives with administrative responsibility are not disclosed on an individual basis.

### 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 has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The Board of Directors also oversees that Company activities are managed in compliance with the legislation, Articles of Association, internal procedures, and established policies.

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

The Board of Directors carries out its activities in a transparent, accountable, fair and responsible manner, and it has been declared that there has been no lawsuit filed against the Board of Directors in this regard during the reporting period.

Distribution of tasks between the members of the Board of Directors is explained in the Annual Report. In addition, CRF and CGIF templates are included in the content of the resolution reached by the Board of Directors regarding the approval of the financial statements and Annual Reports and the declaration to be made in this context.

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. In this context, the Board reviews the effectiveness of risk management and internal control systems at least once a year. The presence, functioning, and effectiveness of internal controls and internal audit are explained in the Annual Report.

The Board of Directors monitors possible conflicts of interest of the management, members of the Board and shareholders, along with misuse of Company assets and misconduct in related party transactions.

The duties of the Chairman of the Board of Directors and the CEO/GM are not separated in the Articles of Association, and the Chairman also assumes the duty of general manager. This matter has been disclosed to the public both in the Corporate Governance Compliance Statement and on the PDP. As of the reporting date, the Chairman of the Board of Directors and the General Manager alone have unlimited decision-making authority in the Company. However, administrative decisions are discussed in the Executive Committee and adopted unanimously.

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. The Board works in close coordination with the Corporate Governance Committee and the Investor Relations Unit in this context.

There is a manager liability insurance publicly disclosed on the PDP for damages incurred by the Company and third parties due to the executives not performing their duties duly, but the policy coverage does not exceed 25% of the Company's share capital.

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

The Company's Board of Directors is composed of nine members, four of whom have executive duties. Among the non-executive members there are three independent members who have the ability to execute their duties without being influenced under any circumstances.

CMB criteria are complied with in determining independent candidates. In this concept, the Corporate Governance Committee have prepared a report on the candidates proposed by the Board and shareholders, by taking into consideration of whether the candidate meets the independency criteria and submitted this assessment as a report to the Board for approval. Independent candidates for the Board of Directors have each signed a declaration of independence within the framework of the legislation, Articles of Association, and the CMB criteria.

There are two female members on the Board of Directors. In addition, the Company has set a target rate and target time for the ratio of female Board members to be not less than 25%, and has established a Board of Directors Female Members Policy to achieve these targets. The Board evaluates the progress achieved in achieving these targets on an annual basis.

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

Board meetings take place with sufficient frequency. Chairman of the Board of Directors sets the meeting agenda in consultation with other Board members.

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 of the Board is entitled to a single vote.

The conduct of the Board of Directors' meetings and decision quorums have been regulated by the Articles of Association of the Company.

Members of the Board of Directors are not restricted from taking on external duties, but asked to devote sufficient time for Company affairs. Duties assumed by the members of the Board of Directors outside the Company are submitted to the attention of the shareholders at the general shareholders' meeting.

#### **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 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 Committees are independent Board members and there are no executive Committee members. The chief executive officer/general manager serves on the Executive Committee as Chairman of the Executive Committee. The Corporate Governance Committee consists of three members and the other Committees seat two members each. With the exception of the independent Board members, it is not possible for a Board member to take part in more than one Committee.

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

manager as they deem necessary to their meetings and obtain their views.

The Committees convene with sufficient frequency and submit reports containing information about their activities and meeting results to the Board of Directors.

The Audit Committee;

- Supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems,
- Determines the methods and criteria to be applied on reviewing 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,
- 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,
- Immediately notifies the Board in writing on findings related to their duties and responsibilities and the related assessment and recommendations.

Audit Committee members possess the qualifications mentioned in the Communiqué. The Annual Report contains information on working principles of the Audit Committee.

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 Corporate Governance Committee is established to determine whether 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 work of the Investor Relations Unit. Investor Relations and Corporate Communications Manager, Ms. Pinar Saatçioğlu is appointed as a member of the Corporate Governance Committee.

The Corporate Governance Committee acts as the Nomination Committee at the same time and its responsibilities as set out in its charter include a) establishing a transparent system for the identification, evaluation and training of suitable candidates for the Board of Directors and managerial positions with administrative responsibilities and working on the determination of policies and strategies in this regard, and b) making regular evaluations on the structure and efficiency of the Board of Directors and submitting its recommendations to the Board of Directors regarding possible changes to be introduced in these matters; however, no actual implementation of these functions was observed in the minutes of the meeting.

The Corporate Governance Committee also serves as the Remuneration Committee, and its responsibilities as stated in its working principles include; a) determination and supervision of remuneration of Board members and senior executives on the basis of principles, criteria and applications used by taking into consideration Company's long-term objectives, and b) submission of recommendations to

the Board about the remuneration of Board members and managers with administrative responsibility with regard to the level of compliance with the above criteria, but no actual implementation of these functions has been found in the meeting minutes.

The Early Detection of Risk Committee reviews the risk management systems six times a year, identifies operational, strategic, financial and compliance risks that may jeopardize the existence, development, and continuity of the Company, takes the necessary measures against the identified risks, develops the necessary policies for the execution of risk management processes, and manages and reports the risks in accordance with the Company's risk-taking profile.

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

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

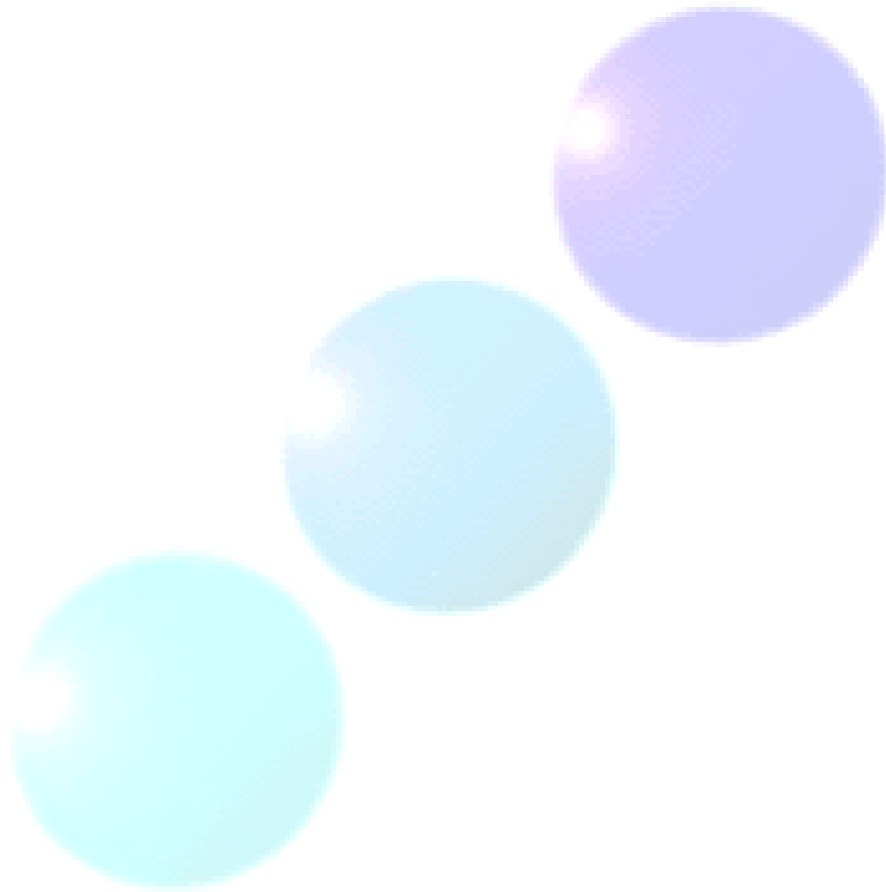
A remuneration policy prepared for this purpose can be found on the corporate web site. Stock options or performance based payments are not included in the remuneration package of the independent Board members.

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.

Remuneration of Board members and managers with administrative responsibility as well as benefits provided are not mentioned on an individual basis, but collectively in the Annual Report.



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. Orientation process for newly appointed managers is determined in writing in the Company's internal regulations.



## Rating Definitions

Rating	Definition
<b>9 - 10</b>	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. Deserved to be included in the BIST Corporate Governance Index on the highest level.
<b>7 - 8</b>	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 BIST Corporate Governance Index.
<b>6</b>	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 BIST 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.
<b>4 - 5</b>	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.
<b>&lt;4</b>	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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#### Contacts:

Ali Perşembe  
[apersembe@saharating.com](mailto:apersembe@saharating.com)  
Nareg Toros  
[ntoros@saharating.com](mailto:ntoros@saharating.com)



#### **SAHA Corporate Governance and Credit Rating Services, Inc.**

Valikonağı Cad., Hacı Mansur Sok., Konak Apt. 3/1, Nişantaşı, İstanbul  
Tel: (0212) 291 97 91, Fax: (0212) 291 97 92

• [info@saharating.com](mailto:info@saharating.com) • [www.saharating.com](http://www.saharating.com)