

## Corporate Governance Rating Report



**02 July 2021**

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## Rating and Executive Summary

### Aksa Enerji Üretim A.Ş. (AKSEN)



Corporate Governance Rating:

**9.34**



MAIN SECTIONS : **Ort. 93.45**

Shareholders : 92.29



Public Disclosure & Transparency : 98.30



Stakeholders : 96.74



Board of Directors : 89.40



0 10 20 30 40 50 60 70 80 90 100

## EXECUTIVE SUMMARY

This report on rating of Aksa Enerji Üretim A.Ş.'s ("Aksa Energy" or "the Company") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Company. Our rating methodology (page 6) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Aksa Energy is rated with **9.34** out of 10 as a result of the Corporate Governance study conducted by SAHA. The Company's corporate governance rating is assigned in consideration with the importance given by Aksa Energy to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

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 March 10, 2021 can be accessed at <http://www.saharating.com>.

Aksa Energy is rated with **9.23** 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. Although there is no restriction implemented, there is no provision in the Articles of Association on holding general shareholders' meetings open to public.

Aksa Energy attained **9.83** 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 **9.67**. 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. Company 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 included in the Articles of Association nor in internal regulations.

From the perspective of the principles regarding the **Board of Directors**, Aksa Energy's tally is **8.94**. 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 Board of Directors consists of 8 members, half of whom have executive duties. There are 3 independent and one female members in the Board of Directors. There is no 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. 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.24).

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

Aksa 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 Corporate Communications Manager</b> Pinar SAATÇIOĞLU Tel: 0216 681 10 53 <a href="mailto:pinar.saatcioglu@aksa.com.tr">pinar.saatcioglu@aksa.com.tr</a>

Aksa Energy, established in 1997, is Turkey's largest publicly listed independent power producer. With roots dating back to the 1950s, Kazancı Holding, the major shareholder of Aksa Energy, operates in production activities on four continents, at 21 countries housing more than 8 thousand employees with exports to 173 countries around the world. Kazancı Holding ranks among the leading companies in the energy industry, with operations in energy production, electricity distribution and sales, natural gas distribution, and generator production via affiliates who are leaders in their own respective sectors.

With business operations in five countries on two continents, Aksa Energy is a global energy company that delivers all steps in power plant installation procedures – from project development to procurement, construction to installation – in-house with its highly skilled technical teams. To date, the Company has built and operated more than 30 power plants using various energy sources, including coal, fuel oil, biogas, natural gas, wind and hydroelectricity.

The Company shares are traded under AKSEN code at Borsa İstanbul since 2010 and Aksa Energy is a constituent of BIST 50, BIST İSTANBUL, BIST SERVICES, BIST SUSTAINABILITY, BIST STARS, BIST 100, and BIST ELECTRICITY indices.

The current capital structure of the Company is given below:

Capital Structure		
Shareholders	Share Value (TL)	Share %
Kazancı Holding A.Ş.	486,950,830	79.42
Traded on BIST and Other	126,218,288	20.58
<b>Total</b>	<b>613,169,118</b>	<b>100.00</b>

Real and Legal Persons with Indirect Ownership of Capital		
Shareholders	Share Value (TL)	Share %
Ali Metin Kazancı	139,821,099.15	22.8030
Şaban Cemil Kazancı	290,547,702.88	47.3846
Mehmet Kazancı	28,360,444.94	4.6252
Tülay Kazancı	23,258,278.77	3.7931
Necati Baykal	4,342.27	0.0007

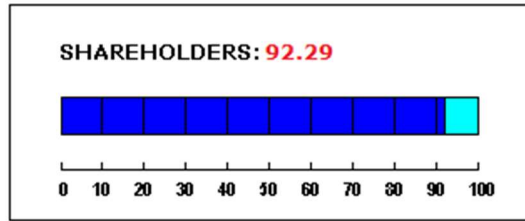
Board of Directors			
Members	Title	Executive	Independent
Şaban Cemil Kazancı	Chairman	✓	
Ahmet Serdar Nişli	Vice-chairman	✓	
Tülay Kazancı	Member		
Ömer Muzaffer Baktır	Member	✓	
Korkut Öztürkmen	Member	✓	
Murat Yeşilyurt	Member		✓
Halit Haydar Yıldız	Member		✓
İlhan Helvacı	Member		✓

Corporate Governance Committee	
Members	Title
Murat Yeşilyurt	Chairman
Halit Haydar Yıldız	Member
Pınar Saatçioğlu	Member

Audit Committee	
Members	Title
Halit Haydar Yıldız	Chairman
Murat Yeşilyurt	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 provision in the Articles of Association on holding general shareholders' meetings open to public.
=	There are no voting privileges, but Group A shares have the privilege to nominate candidates for the Board of Directors.
-	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital.

### 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 (CFO).

Pinar Saatçioğlu, serving as Aksa Energy Investor Relations and Corporate Communications Manager and Corporate Governance Committee Member, holds Capital Markets Advanced Level 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.

- d) 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 number of investor conferences and meetings held during the reporting period was 26.

### **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 in order to ensure attendance of maximum number of

shareholders, the invitation to the general shareholders' meeting held on May 28, 2021 covering 2020 fiscal year 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; 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, information that the shareholders did not have any requests submitted to the Investor Relations Unit regarding the inclusion of an item on the agenda, and based on the amendments to the Articles of Association in the agenda, the old and new versions were also shared.

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.

Exceptionally, our observers did not attend the general shareholders' meeting held in 2021 due to the Covid-19 pandemic, and the statement of the Company officials was referred to for the necessary meeting information. In this context, 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.

Although there is no restriction in practice, there is no provision in the Articles of Association or 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.

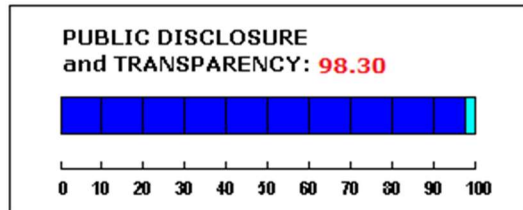
The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the Company.

Although the Company's financial statements for the year 2020 reported profit, a dividend distribution was not proposed in order to further strengthen the current balance sheet structure and to ensure a healthier management of future cash flows. Accordingly, this was submitted for an approval to the ordinary general shareholders' meeting and approved by a majority of votes.

### **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.

### 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, 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.

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.

Furthermore, as per the CMB decision dated January 10, 2019 and numbered 2/49 published on the Bulletin no: 2019/2, The Corporate Governance Compliance Report prepared in accordance with the Corporate Governance Communiqué number II-17.1 must be disclosed through the PDP with The Corporate Governance Compliance Report ("CRF") and the Corporate Governance Information Form ("CGIF") templates. Aksa Energy disclosed its CGIF and CRF notifications via PDP 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,
- Company's production portfolio and its features,
- Progress on investments,
- CGIF and CRF templates access information,

- Capital Markets Board Sustainability Principles Compliance Report,
- 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,
- Information on number of personnel,
- 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,
- Web site link information on Company policies,
- 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.

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

- Information on external duties of Board members,
- As disclosed via CGIF, members of the Committees established by the Board of Directors and their meeting frequency,
- Number of Board meetings held during the year,

- Information on major court cases against the Company and possible consequences,
- 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:**

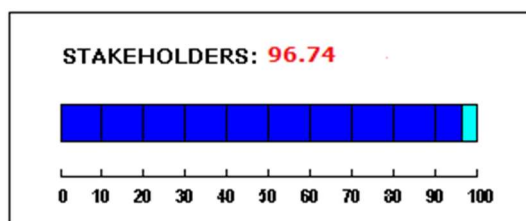
The external audit of the Company is conducted by DRT Bağımsız Denetim ve SMMM A.Ş. (a Deloitte Touche Tohmatsu Ltd. member).

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.
-	Models supporting the participation of stakeholders in management are not documented in the Articles of Association and in internal regulations.

### 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. For this purpose, a Board of Ethics has been established within the Company. In addition, an Ethics Line and complaint and notice channels are available for access to the denunciation mechanism.

### 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 3 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, in addition to the Ethics Line, the Occupational Health and Safety Committee within the Group and the Write to Us platform on the corporate web site, as well as the Sustainability

Committee and Study Group applications are used.

### **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 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. In 2020, Aksa Energy provided its employees with 18,757 man-hour of Occupational Health and Safety (OHS), technical and professional training as well as 486 man-hour of training under Aksa Academy, the internal training platform of Kazancı Holding.

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

Decisions that may affect the employees are notified to the employees through the internal communication process. However, since the employees are not affiliated with any union, their opinion was not sought.

Job descriptions and performance criteria are shared with employees, including the executive level, and studies continue for sub-directors.

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.

The Company carries out all OHS activities with the goal of "zero work accidents," puts in place all necessary safety precautions, and takes actions to prevent occupational diseases. In 2020, the Company carried out a total of 3,244,859 man-hour of work and administered a total of 17,170 man-hour of OHS training in its domestic and overseas power plants. The rate of OHS trainings among all trainings given to employees in 2020 is 91.5%.

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. Detailed information can be reached on the corporate 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.

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 is one of 14 companies that entered this list in 2015. Aksa Energy has been a signatory of the United Nations Global Compact (UNGC) since 2017 and contributes to all seven of the Sustainable Development Goals.

The Company deals with its sustainability approach under the headings of "Environmental Sustainability", "Employees" and "Social Responsibility" and it has been voluntarily presenting its sustainability performance to the public through sustainability reports issued in accordance with GRI Standards since 2016. 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.

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.

Establishing a Environmental Management System Framework in order to determine the objectives and targets related to the Environmental policy, and to manage, monitor and control the activities in accordance with this policy, the Company holds the

following certifications: ISO 14001 Environmental Management System, ISO 9001 Quality Management System, ISO 50001 Energy Management System, ISO/IEC 27001:2013 Information Security Management System and ISO 45001 Occupational Health and Safety Management System.

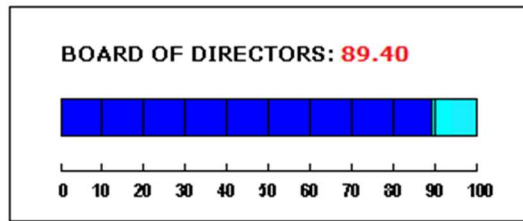
With its Energy Policy, the Company ensures that the energy management system is carried out in accordance with the ISO 50001 Energy Management System standard, and has been regularly preparing Greenhouse Gas Emissions Reports since 2015.

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 efforts on sustainability are covered extensively both on the corporate web site and in the annual report.

As of our report date, there is no fine or lawsuit filed against the Company due to any environmental damage.

## 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 one female board members.
+	Audit, Corporate Governance and Early Detection of Risks Committees are established and working efficiently.
+	No executive members on Committees (all are independent members).
+	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 insurance coverage is below the limit set in the Communiqué.
-	There is no policy approved nor a target set for 25% female membership rate in the Board of Directors.
-	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/general manager 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, however, as of the reporting date, the Chairman of the Board of Directors and the general manager have unlimited decision-making authority alone in the Company.

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 capital.

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

The Company's Board of Directors consists of eight members of which four hold executive powers. 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 or not 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 is one female member on the Board of Directors. Whereas, the Company has not prepared a policy nor set a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female Board membership rate.

#### **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 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 Committees are independent Board members and there are no executive Committee members. The CEO/general manager is not on the Committees. 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, number of written notices given to the Board of Directors in the fiscal year and the meeting results.

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 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 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 also serves as the Nomination 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 Committee for Early Detection of Risks reviews risk management systems at least once a year. It achieves early identification of risks that may jeopardize the Company's existence and continued development, implements the necessary measures identified with the associated risks and conducts studies to manage such risks.

#### **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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