



5. CORPORATE MANAGEMENT

■ 5 CORPORATE GOVERNANCE AND PRINCIPLES OF THE CORPORATE GOVERNANCE

■ 5.1. Principles of the Corporate Governance

Any changes to the Articles of Association of our company published in the Turkish Trade Registry Gazette are subject to the approval of the regulatory authorities and subsequently, the changes are announced to the public by publishing the changes in the Trade Registry Gazette and on the corporate website.

In short, disclosures to ensure transparency are provided through the Trade Registry, press releases and announcements, the Company's corporate website, and the publication of the annual report containing audited financial statements.

The structure of share ownership and the names of the shareholders, the number and percentage of shares are published on the Company's corporate website.

The mission and vision of our Company, determined by the Board of Directors, is also located on the corporate website of our Company.

■ 5.1.1. Ethical Principles

Board members, representatives (Consultants, etc.) and Company employees agree to the Company's Ethical Principles Policy and declare compliance with it. The understanding, adoption and implementation of our company's ethical principles policy and ethical principles by our employees are monitored by the Remuneration and Corporate Governance Committee, which is composed of members of the Board of Directors and affiliated to the Board of Directors.

■ 5.1.2. Stakeholders

The Company acknowledges that Customers, Employees and Shareholders constitute parts of the stakeholder group. Customers: Our company believes that customer satisfaction is one of the most important factors underlying the establishment of success and respectability in its activities. Especially in new product and process changes, customers will be informed, and the feedbacks received are carefully followed and arrangements are made in the processes.

Employees: Company employees constitute the visible face of the Company in the face of markets, customers and suppliers. Our company provides its talented employees with the necessary training and resources to properly serve their customers and make useful suggestions. Furthermore, our company attaches importance to providing its employees with competitive and market-based wages with ambitious development opportunities and will ensure that this is expanded.

Shareholders: The company aims to maximize shareholder value as part of its perspective focused on creating value for stakeholders. Our company believes that creating value for stakeholders also means creating value for shareholders.

Society: As a responsible legal entity in compliance with corporate social responsibility principles, the company organizes and continues its activities in this direction. Our company believes that a company that makes a profit from society should also have an obligation to contribute to the development of society.

■ 5.2. CORPORATE GOVERNANCE

■ 5.2.1. Purpose and Scope

In addition to the issues explained above, the purpose of corporate governance design is to establish a corporate governance policy. For this purpose, the Corporate Governance Guidance studies are continuing, primarily, by the Corporate Governance Committee. Thanks to the regulations to be made through the said Guide, the efficiency of the working system of the Board of Directors, Executive Board, Committees, Board of Directors and the Executive Board, compliance with corporate governance values and legislation and regulations are aimed.

Through the Corporate Governance Guide, operating procedures, objectives, authorities, responsibilities, delegation and limits of authority and limits are defined in formations at these levels. Through the Corporate Governance Guide, operating procedures, objectives, authorities, responsibilities, delegation and limits of authority and limits are defined in formations at these levels.

■ 5.2.2. Articles of Association

The articles of association are available on the company's web page.

■ 5.2.3. Organization Chart

Information about the Board of Directors, Committees and Senior Management, which constitutes the content of the scheme referred to by the organization chart of the company, is available on the website of our company.

■ 5.2.4. Corporate Governance Framework

The Corporate Governance Framework of the Company will be developed in order to promote the proper functioning of the Board of Directors (Board / BoD), Board-Level Committees and the Executive Board, and to ensure an effective and efficient Company management.

The corporate governance framework of our company consists of four main parts.

- Policy of the Corporate Governance
- Corporate Governance Guide
- Company Delegation Authority Matrix
- Job Descriptions of the Executive Board and Committees

■ 5.3. BOARD OF DIRECTORS

■ 5.3.1. Structure

The Board of Directors consists of three members. Members are appointed for a period of three years in accordance with the guiding principles and/or mandatory provisions for the formation of the BoD in accordance with the Articles of Association and in accordance with the Corporate Governance Principles.

The BoD elects a BoD member as the Chairperson of the BoD and another BoD member as the Deputy Chairperson. The BoD appoints the Secretary General of the BoD to perform the functions determined by the Board of Directors.

■ 5.3.2. Principles

The BoD is the main decision-making body in the management and representation of the Company. The BoD determines its main objective to ensure that the management works effectively and in accordance with the laws, rules and Company practices.

As the body with the broadest authority to manage the company's affairs, BoD may delegate its decision-making powers and responsibilities to the Chairman of the Executive Board, other members or one or more BoD-Level Committees if necessary. This does not eliminate the responsibility of the BoD for accountability.

The BoD shall be the body that guides the entire organization directly or through the Chairman of the BoD, the Executive committee, BoD-level Committees and the Audit Committee.

■ 5.3.3. Other

With the exception of the Chairman of the Executive Board, the election of BoD members takes place at the General Assembly. BoD appoints the Chairman of the Executive Board, who is a natural BoD member, in accordance with the views and recommendations of the Remuneration and Corporate Governance Committee. The term of office of BoD members is three years (BOD members, including the Chairman of BoD, can be nominated again every three years through the General Assembly). The duties, powers and responsibilities of the BOD and the issues related to appointment, assembly and decision-making are defined in detail in the guide.

■ 5.3.4. Senior Management

In order to ensure effective separation of the roles of the BoD and the Executive Board, in this direction, the necessary arrangements have been made in the guide in order to monitor the Company and the Company's activities by the BoD, in turn, the Chairman of the Executive Board and the Members of the Executive Board are managed by the Directors and Vice Presidents. For this purpose, the duties, powers and responsibilities of our Company, BoD, Chairman of the BoD and Executive Board have been determined in the Guide.



■ 5.3.5. Committees

■ 5.3.5.1. General Provisions Regarding the Committees

In all BoD-Level Committees,

- a Although committee meetings should be held face-to-face, it is also possible to hold meetings via teleconference, video conference or zoom system.
- b Committees can take unanimous decisions by presenting them separately to members through circulation outside the meeting, if a decision is urgent or necessary.
- c The meetings, decisions, voting records (including approval, rejection, and abstention) and attendance records of the Committees are kept as minutes and these minutes are signed by the participating members at the next relevant Committee meeting.
- d The Committees may convene in accordance with the request of each member approved by the Chairman of the Committee, if deemed necessary, outside the scheduled meeting schedule.
- e The committees convene with the determined agenda, subject to the approval of the meeting agenda, the draft of which is prepared by the Secretariat of the Board of Directors, by the relevant Committee Members.
- f On behalf of the committees, each committee member may, if deemed necessary, request that other interested parties attend the meeting without the right to vote.
- g The working procedures and principles of the committees have been regulated by the Board of Directors and the Corporate Governance Committee, the Audit Committee and the Early Detection of Risk Committee have been established. The Committee's functioning and regulations are available on its website.
- h The Committees will periodically submit their reports containing summary information about their activities related to their duties and areas of responsibility at BoD meetings.
- i The committees make recommendations to the BoD on its Policies and Strategies on matters within its jurisdiction.
- j Committees undertake the duties and responsibilities defined under the Company Delegation Authority Matrix.

■ 5.3.5.2 Board of Directors Level Committees

■ 5.3.5.2.1. Audit Committee

Audit Committee (AC), to work within the framework of the provisions on our website, it is planned that the Audit Committee will consist of at least 2 (two) members to be elected from among the non-executive Independent Board members, and the targets to recruit independent members of the BoD in 2021 are among the strategic targets, and since no independent member(s) has been appointed yet, within the framework of Article 3.2. of the Audit Committee Working Regulations, committee members who have at least 20 years of experience in the fields of business, finance, law, audit who have served as general manager, inspector board chairman, assistant or general manager, and who are not assigned to the executive committee, have been appointed to replace the independent members. The members of this committee will be able to continue their duties in the AC of our Company for a maximum of 9 (nine) years on an intermittent or continuous basis.

The duties, powers and responsibilities of the DC, as well as the process of appointment, meeting and decision-making are contained in the Working Regulation of the Committee Responsible for Supervision.

■ 5.3.5.2.3. Risk Committee

The Risk Committee, which will be established to review the compliance of the Company's activities with the Company's current risk appetite and strategic goals, consists of two expert members elected by the BoD. The duties, authorities, and responsibilities of the Risk Committee, as well as matters related to appointment, meeting and decision-making, and the Duties and Working Principles of the Early Detection of Risk Committee are available on the corporate website.

(See kuzugrup.com.tr)

■ 5.3.5.2.4. Corporate Governance Committee

The Committee, which consists of at least 2 (two) non-executive members to be elected by the BoD from among its members, and working under the BoD, has been formed to monitor and direct the corporate governance practices of our company, and operates in accordance with the provisions of the "Regulation on Corporate Governance Principles. In addition, the Committee also carries out the duties of the Remuneration Committee, which should be established for the purpose of monitoring and auditing remuneration practices on behalf of the Board of Directors in accordance with the provisions of this Regulation.

The duties, authorities and responsibilities of the Corporate Governance Committee, as well as the issues regarding appointment, meeting and decision making are available on the corporate website. *(See kuzugrup.com.tr)*

■ 5.3.5.3 Delegation Authority Matrix

The Delegation of Authority Matrix is the main tool for addressing the necessary tasks and powers to the relevant decision-making mechanism in order to ensure proper and effective responsibility and functioning. In this context, the Internal Audit Unit will supervise the activities of our Company in accordance with the delegation authority matrix in 2021.

■ 5.3.5.4. Executive Board-Level Committees

The following committees have been established within the scope of the powers delegated to it by the Board of Directors and the limits determined.

- Personnel Committee
- Disciplinary Committee
- Purchasing Committee
- Compliance Committee
- Business Continuity Management Committee
- Information Systems Strategy and Information Security Committee
- Occupational Health and Safety Committee

■ 5.4. INTERNAL SYSTEMS

Internal control, internal audit and risk management of our company are carried out under the Supervision of the Board of Directors (BoD) through the Audit Committee (AC), which consists of 2 members who do not have executive duties. The internal system units present their reports to the AC on a quarterly basis and these reports, together with the opinions and suggestions of the AC, are forwarded to the Board of Directors. The Audit Committee mainly uses the findings and determinations of the internal audit units of our Company and the results of the independent auditors' examinations in the transmission of these opinions and suggestions.

In order to monitor and control the risks exposed in the formation of internal systems, efforts are made to ensure the establishment and operation of adequate and effective internal systems, which are compatible with the scope and structure of our company's activities and suitable for changing conditions, covering all units and Company transactions, within the framework of the procedures and principles stipulated in our Regulation.

In this regard, our Company realizes the following;

- Updating the strategy map
- Budget and financial control system
- The system of early detection of risk
- Authorization atris
- Information systems security
- Key performance system,
- Determination of the company's risk map

■ **5.4.1. INTERNAL CONTROL**

The purpose of our internal control system is to ensure the protection of our Company's assets, the effective and efficient execution of activities in accordance with the Law and related legislation, internal policies and rules, the reliability, integrity and timely availability of information of the accounting and financial reporting system.

Within this framework;

Functional duty distinction based on the clear and written determination of the powers and responsibilities of all units, personnel, and committees within our Company,

Establishment of information systems within the Company that prioritize information security that will be created in accordance with the scale of the company, the nature and complexity of its activities and the products offered,

Establishment of communication channels that will ensure the flow of information horizontally and vertically within the Company's organizational structure within the framework of information security,

Business continuity management and plan that will ensure uninterrupted operation of the Company's activities in exceptional cases,

Compliance audit of the Audit Committee within the framework of our Purchasing and internal control regulation, separation of Planning-Purchasing-Storage-Manufacturing-Payment

Activities and authorities and responsibilities,

The 3-month Plan-Realization reviews of the Executive Board and the budget reports and meetings that envisage the revision of the plans are important elements of the internal control system.

Internal control activities include the control of transactions, information systems and the financial reporting system for the performance of activities, as well as compliance controls.

All personnel of the company and act with the consciousness of being part of the internal control system developed for the activities they perform are informed about policy and implementation procedures of internal control activities. The activities of the internal control unit are carried out by the department of the internal audit unit, which is subordinate to the Audit Committee.

The findings of the internal control unit are communicated to the audit committee at least once every three months by means of a report prepared by them. The report is submitted to the board of directors by adding the opinion of the audit committee to the said report. The Audit Committee and the internal control unit manager monitor whether the necessary measures have been taken within the framework of the findings.

■ 5.4.2. INTERNAL AUDIT

The internal audit system has been created to provide assurance to senior management about the effectiveness and adequacy of internal control and risk management systems in order to carry out our Company's activities in accordance with the legislation and internal strategy, policy, principles and objectives.

In order for the internal audit system to work effectively, preventive and risk-based audit principles are based on and the effective use of the created centralized audit system is ensured. In the internal audit system, it is essential that all activities and units of the Company are examined and audited periodically and on a risk basis.

In particular, the adequacy and effectiveness of internal control and risk management systems, during the audits, subjects such as Company information processing systems and processes, operational activities, accuracy and reliability of accounting records and financial reports, and reliability of risk measurement models are examined and audited.

The internal audit task of the company is performed by the internal audit unit, which is subordinate to the Audit Committee.

The audit findings of the internal audit unit are submitted to the audit committee at least every three months with a report to be prepared, and the audit committee's opinion is added to this report and submitted to the board of directors no later than ten business days. The Audit Committee and the internal audit unit manager monitor whether the necessary measures have been taken within the framework of the audit findings.

5.4.2. RISK MANAGEMENT SYSTEM

An effective and sufficient risk management system is aimed at identifying, measuring, reporting, monitoring, and controlling the risks exposed on a consolidated and unconsolidated basis and the risks arising from transactions with the risk group involved in the Company through the policies, implementation procedures and limits determined to monitor, keep under control the risk-return structure contained in our Company's future cash flows, and therefore the nature and level of activities.

The policies and implementation procedures specific to each type of risk are determined in writing. In addition, the processes related to risk management policies and implementation procedures are reviewed periodically to ensure integrity, accuracy, and compliance.

Risk limits are determined in connection with the risk appetite determined by the Board of Directors. The principles of practice regarding the processes of proposing, evaluating, approving, announcing, monitoring and auditing risk limits within the Company are determined by the Risk Committee and the principles determined are approved by the board of directors.

With regard to risk management, the Early Detection of Risk Committee, which has sufficient number and qualifications depending on the size of the company, the complexity, intensity, scope and level of risk of the activities, and under the AC and BoD, has been established to work within the framework of the relevant legislation provisions, especially the said Regulation.

The risk management unit prepares reports periodically, containing all the information that allows the senior management to evaluate the level and development of significant risks and their effects on the capital requirement, the suitability of the assumptions used in the risk measurement and evaluation systems, the adequacy of the capital level that the Company should hold for all significant risks, its compliance with the legal and internal capital targets and ratios, the need for future capital, and the necessary changes to be made in the strategic plan accordingly. The prepared reports are shared with the Board of Directors and senior management, as well as with the units responsible for the formation and monitoring of risk, at intervals.

Risk Management Unit;

Compliance controls by means of the new company and planning for the activities and operations of the regulations by legal regulations, internal policies and practices, compliance with ethical principles and guidelines checks, or changes in vision prior to the application of planned new features related to products and services creates.