



## ***Corporate Governance Compliance Rating Report***



***Ereğli Demir ve Çelik Fabrikaları T.A.Ş.***

26 July 2024

Validity Period 26.07.2024-26.07.2025

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Ereğli Demir ve Çelik Fabrikaları T.A.Ş.,

has been prepared by considering Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published in the Official Gazette No. 31262 on October 02, 2020 by the Board, as well as regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105 in addition to the criteria specified in the "Corporate Governance Communiqué No. II-17.1" of the Capital Markets Board published in the Official Gazette dated January 03, 2014, and numbered 28871

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

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 106 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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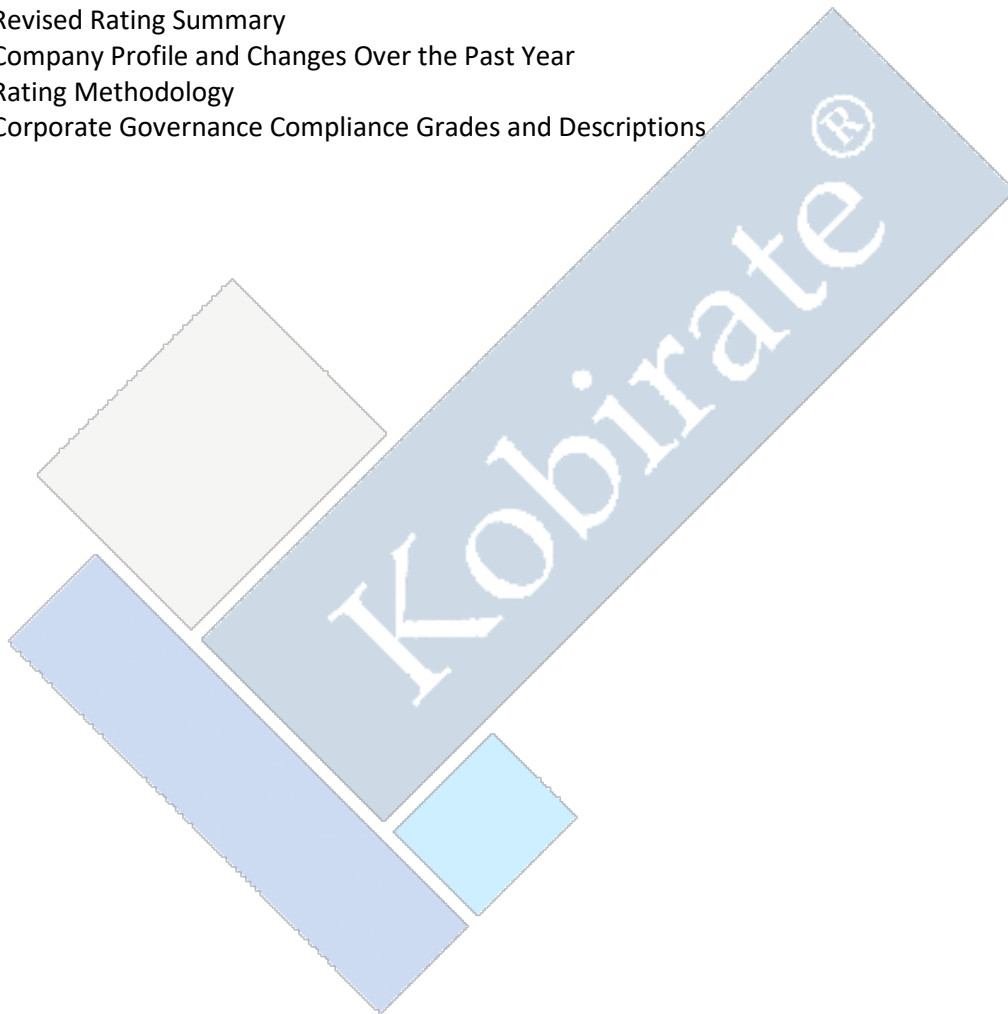
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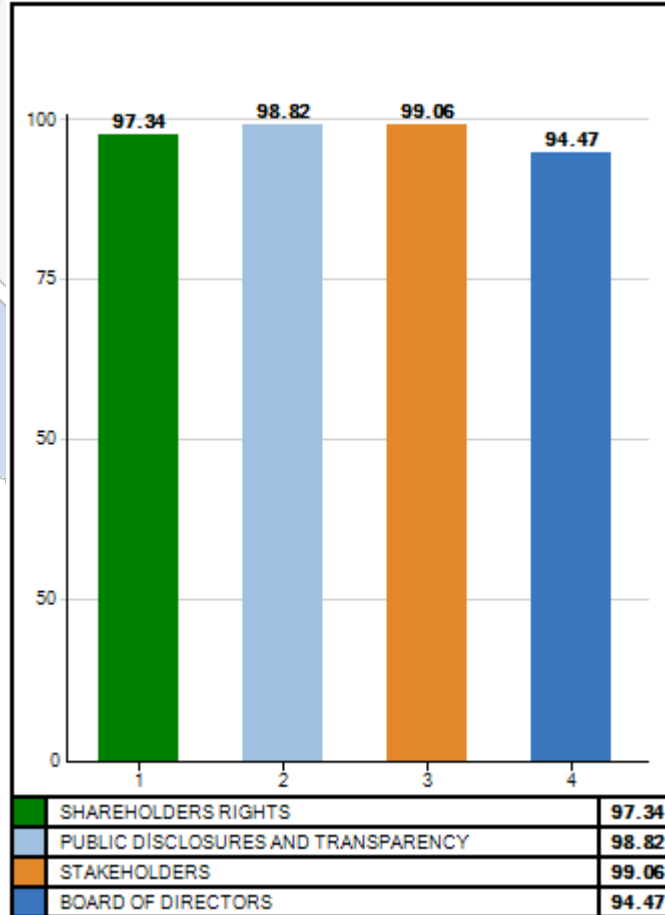
## EREĞLİ DEMİR VE ÇELİK FABRİKALARI TÜRK ANONİM ŞİRKETİ (ERDEMİR)

### 1. RATING RESULT

BIST FIRST GROUP COMPANY

CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE

9.70





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Can TEKİN

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(License Number: 702999)

## 2. REVISED RATING SUMMARY

This report of rating of compliance of Ereğli Demir ve Çelik Fabrikaları Türk Anonim Şirketi (ERDEMİR) with the Corporate Governance Principles is concluded through onsite examinations of the documents and information open to the public, interviews held with executives and persons involved, and of other examinations and observations. The study has been held in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. In the methodology and rating process, in addition to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, the Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published by the Board has been considered in addition to the regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105.

According to the decision of the Capital Markets Board dated 25.01.2024 and numbered 6/121, ERDEMİR is in the BIST 1st Group Companies list. The Company has been evaluated through examination of 456 criteria described in Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology of "BIST 1st Group Companies". At the end of the examination of criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, the Corporate Governance Compliance Rating Grade of Erdemir has been revised as **9.70**.

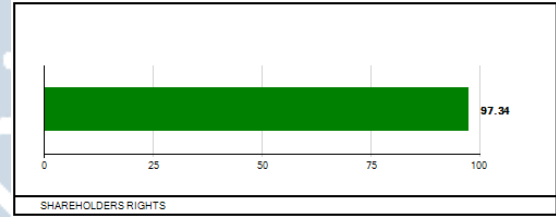
This result shows that the Company has achieved very high compliance with the Corporate Governance Principles issued by the Capital Market Board. Potential risks that the Company may be exposed to are identified and can be managed. The level of public

disclosure and transparency is high. The rights of the shareholders and stakeholders are treated fairly. The composition and operational conditions of the Board highly comply with the Corporate Governance Principles.

When the activities of Erdemir for the last year are examined, it is seen that it has been maintaining its compliance with Corporate Governance Principles.

In conclusion, this rating indicates that the Company highly deserves to be included in the BIST Corporate Governance Index.

▪ In the Shareholders section, Erdemir's rating has been revised to **97.34**.



During the review period, it was observed that the Company continues its activities in the field of informing the shareholders and exercising their fundamental shareholder rights with the same sensitivity and efficiency. It is understood that the harmonious cooperation of the Investor Relations Directorate with the Corporate Governance Committee is effective in the correct and effective exercise of the rights of the shareholders.

Activities related to shareholder relations are carried out by the Investor Relations Directorate, which operates under the Vice Presidency of Financial Management and Fiscal Affairs. The department includes Ms. İdil ÖNAY ERGİN (Director), Mr. Ali Seydi BÖLER (Investor Relations Manager), and Ms. Melis BİLGİN (Investor Relations Specialist). Ms. ERGİN and Mr. BÖLER have Capital Market

Activities Level 3 and Corporate Governance Rating Specialist Licenses.

During the reviewing period, Mr. Ali Seydi BÖLER obtaining the mentioned licenses has contributed to the rating increase under this main heading as development in line with succession planning.

In accordance with the CMB Corporate Governance Communiqué numbered II.17-1, Investor Relations Director Ms. İdil ÖNAY ERGİN was appointed as a Member of the Corporate Governance Committee, and it was disclosed to the public with a Material Disclosure dated 04.09.2014.

It has been determined that the Investor Relations Directorate reports and makes presentations to the Board of Directors at least once a year regarding its activities. A presentation regarding the 2023 activities was made to the Board of Directors on February 15, 2024.

Shareholders' right to obtain information and to examine is not canceled or restricted by the Articles of Association or any department of the Company. The Company carries out its disclosures to the shareholders and the public in accordance with the "Disclosure Policy." The said policy is published on the Company's corporate website.

The General Assembly meeting to discuss operations of 2023 took place on 28.03.2024. The invitation to the general assembly meeting was published on the Public Disclosure Platform (PDP) and the Central Registry Agency e-general assembly system (EGAS) on 28.02.2024 and in the Turkish Trade Registry Gazette (TTRG) dated 04.03.2024 and numbered 11035. The meeting invitation was made at least 3 (three) weeks before the meeting date as stipulated by the principles.

The general assembly information document provides detailed information on the distribution of company shares, the voting rights granted by the shares and the privileges regarding voting. In addition,

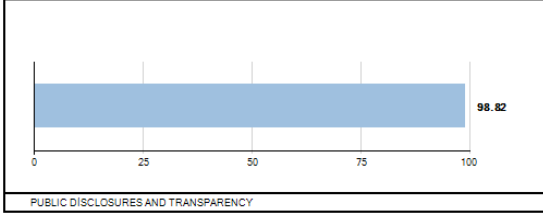
whether the shareholders have a request to add an item to the agenda and the information that is required to be announced to the shareholders and the public in the corporate governance principles are also included.

Executives and auditors who are authorized to brief participants on special subjects and answer their questions have attended the meeting. Attending executives were Mr. Baran ÇELİK (Deputy Chairman of Board and Executive Board Member), Mr. Gürtan DAMAR (Member of the Board of Directors-Executive Board Member) Ms. Güliz KAYA (Board Member), Mr. Niyazi Aşkın PEKER (General Manager of Erdemir), Mr. Mustafa Serdar BAŞOĞLU (Finance Management and Financial Affairs Group Vice President), Mr. Ulaş YİRMİBEŞ (Financial Control and Reporting Director), Mr. Kemal Haluk ERUYGUR (OYAK Legal Advisor), Mr. Buğrahan ELDELEKLI (Legal Director), Ms. İdil ÖNAY ERGİN (Investor Relations Director) and the Representative of the Independent Audit Company.

Net distributable profit for the period 2023 was 4,842,710,322 TL according to the financial statements prepared in accordance with the TPL and 4,033,088,989 TL according to the consolidated financial statements prepared within the framework of the CMB legislation. The way the profit is used is explained in the "*ii. Dividend Distribution*" section of our report.

The profit distribution proposal of the Board of directors and the profit distribution table were published on the Public Disclosure Platform on the same day as the invitation to the general assembly.

▪ In the Public Disclosure and Transparency section, the Company's rating was confirmed as **98.82**.



It has been determined that Erdemir's works on public disclosure and transparency are in compliance with legal regulations and corporate governance principles. Annual reports are very rich in content and contain sufficient information about the activities.

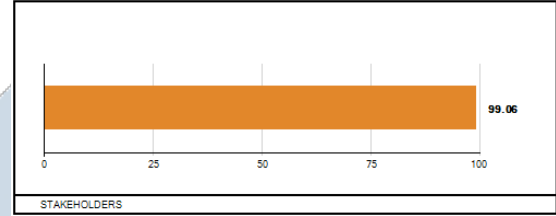
The corporate website ([www.erdemir.com.tr](http://www.erdemir.com.tr)) is updated regularly, and it is being used as an active and effective platform for public disclosure. All information and documents that the public, investors and other interested parties want to access are published on the corporate website of the Company for the last five (5) years. It has been observed that this information is consistent with the disclosures made in accordance with the provisions of the relevant legislation and does not contain contradictory and incomplete information. The corporate website is designed as a convenient, easily accessible structure.

The officials in the Company who are charged with disclosures and have the authority for signature are Mr. Mustafa Serdar BAŞOĞLU (Finance Management and Financial Affairs Group Vice President), Mr. Ulaş YİRMİBEŞ (Financial Control and Reporting Director), Ms. İdil ÖNAY ERGİN (Investor Relations Director). The named persons have been assigned to maintain and monitor all kinds of issues related to public disclosure.

The Company's independent external audit for 2023 was conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Deloitte Touche Tohmatsu Limited). There are no cases where the independent audit avoided expressing opinion, expressed opinion with conditions or avoided signature in the reports. It has been learned from company officials that no event took place with the

independent audit company or with its auditors that could damage this Company's independence, and there was no legal conflict with it. In accordance with the Capital Markets legislation, the Turkish Commercial Code, and relevant regulations, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited) has been selected for the independent external audit of the Company's accounts and transactions for the 2024 financial year, based on the recommendation of the Audit Committee and the approval of the General Assembly.

▪ In the Stakeholders section, the Company's rating has been revised to **99.06**.



The reason for the increase in the grade of the Company in this section is;

the development of processes related to Sustainability Management and Implementation, and the creation and public disclosure of the "Net Zero Roadmap."

It is concluded that Erdemir protects stakeholders' rights, which are specified in regulations and mutual contracts. The impression is that if there is a lack of regulation, the Company respects stakeholders' rights within goodwill rules and the Company's reputation. It has been observed that many internal regulations were prepared to this end.

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

Recruitment, wage, health, leave rights, promotions, appointments, discipline, dismissal, death, resignation and retirement



procedures have been determined, and it is thought that these procedures are adhered to in practice. Both during the development of the policies and in practice, we got the impression that equal opportunity is given to individuals under equal conditions.

It has been determined that the Company runs training programs to increase the knowledge, talents and experience of its employees and that it has prepared training policies.

Ethical Rules and Working Principles have been determined and are updated when necessary. On the other hand, the policies concerning the shareholders and all stakeholders are disclosed to the public on the Company's corporate website.

As of 31.12.2023, a total of 6,052 people were employed at Erdemir, with 1,820 paid monthly wages and 4,232 paid hourly wages. Hourly wage workers are organized under the Turkish Metal Union. The 29th Term Collective Bargaining Agreement has been concluded for 2 years, effective from 06.01.2023.

Erdemir and its subsidiaries carry out social responsibility activities in different areas in order to create sustainable and lasting value for society. It supports social development with education and culture-art-oriented projects developed through various collaborations. As OYAK Mining and Metallurgy Companies, the support provided for social projects in 2023 reached 868 million 937 thousand TL. Information about the Company's contribution to the social development and welfare of society can be found in the integrated reports and on the corporate website.

### ***Sustainability;***

As OYAK Mining and Metallurgy Companies, strategies are formed by anticipating challenges in a constantly changing dynamic environment and integrating priorities and focus areas into a business model aimed at providing a competitive advantage.

The companies have structured their activities around the goals of developing in a way that benefits society and the environment, managing risks correctly, reducing their carbon footprint, and integrating risks and opportunities arising from climate change into all business processes. In this context, ERDEMİR has shaped its "Value Creation Approach" around three fundamental concepts:

- Sustainable Growth
- Responsible Production
- Human-Centered Approach

### ***Sustainable Growth***

#### ***Priorities***

- Sustainable Profitability
- Product Quality
- Responsible Purchasing and Supply Chain Management

#### ***Focus Areas:***

- Contributing to industry and economic growth in Turkey as a sector leader
- Competitive cost management
- Maintaining and increasing market share
- Enhancing the quality of high-value-added product groups
- Being a reliable solution partner to customers and ensuring zero defects
- Increasing company value
- Enhancing resource and investment efficiency

### ***Responsible Production***

#### ***Priorities***

- Climate Change
- Occupational Health and Safety
- Energy Management
- Waste Management
- Low Emission Production Technologies
- Water Management
- R&D and Innovation
- Cyclical Economy
- Air Emissions
- Operational Efficiency
- Biodiversity

*Focus Areas:*

- Transparent and accountable management
- R&D focuses on production processes
- Reducing environmental impacts
- Developing pioneering OHS practices
- Developing products and services in line with current trends and technologies
- Enhancing operational efficiency
- End-to-end integrated solutions

Human-Centered Approach

*Priorities*

- Employee and Human Rights
- Employee Satisfaction and Talent Management
- Corporate Governance
- Ethics and Transparency
- Digitalization
- Equality of Opportunity and Diversity
- Contribution to Local Development
- Social Investment Programs

*Focus Areas*

- Providing social contributions to operational regions
- Increasing employee satisfaction
- Employees who embrace the institution's priorities and values and act in unison.

Erdemir and İsdemir, part of OYAK Mining and Metallurgy Companies, have announced their "Net Zero Roadmap" to contribute to Turkey's 2053 net zero emission target. Shaping their green transformation steps, Erdemir and İsdemir aim to reduce carbon emissions per ton by 25% by 2030 and by 40% by 2040, compared to the baseline year of 2022, and to achieve net zero emissions by 2050.

To achieve the short-term goal of reducing carbon emissions per ton of crude steel by at least 25%, Erdemir and İsdemir plan to invest 3.2 billion USD in transformation by the end of 2030.

The planned Greenhouse Gas Reduction Actions to achieve this goal are:

1. Electric Arc Furnace Investment
2. Energy Efficiency Initiatives
3. Solar Power Plant (SPP) Investments
4. Biomass Utilization
5. DRI (with Natural Gas) Investment
6. DRI (with Green Hydrogen) Investment
7. Carbon Capture and Storage (CCS)

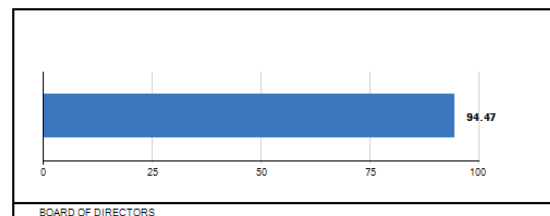
These actions were announced to the public on January 11, 2024, via Material Disclosure. The roadmap is also published on the Company's corporate website.

The practices and documented management systems of ERDEMİR that contribute to its priorities of energy efficiency, occupational health and safety, sustainability, and digitalization are listed below:

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- IATF 16949: 2016 Quality Management System for the Automotive Industry
- ISO 50001:2018 Energy Management System
- ISO 17025: 2017 Testing and Calibration Laboratory Accreditation Certificate
- ISO 27001:2017 Information Security Management System

Erdemir has been included in the BIST Sustainability Index from November 2015 to October 2016.

- In the Board of Directors section, Erdemir's rating was confirmed as **94.47**.



In the meetings with the company officials and the examinations made on the Board of Directors' Decision Book, it has been determined that the Board continues its activities actively, effectively and regularly. It has been observed that the Board of Directors

internalizes the corporate governance principles, adopts an open approach to improvement and development, and displays a proactive attitude in compliance with the principles.

The Board of Directors has described the corporate strategic objectives and determined necessary human and financial resources. The duties of the chairman of the Board of directors and general manager are carried out by different persons, and the authorities of each are defined. The Board of Directors, consisting of 9 (nine) members, consists of 2 (two) executive and 7 (seven) non-executive members. 3 (three) of the non-executive members have the status of independent member.

Only 1 (one) female member has been appointed to the Board of Directors. This structure does not comply with the "not less than 25%" criterion determined by the CMB as the rate of female members on the Board of directors. For the target of "Women Board Member Ratio should not be less than 25%", determining a target rate and time and a policy to achieve these targets and annually evaluating the progress achieved in achieving these targets by the Board of Directors will be appropriate to strengthen compliance with the principles.

The Audit, the Corporate Governance and the Early Detection of Risk Committees, which are stated in the Principles, have been established. Separate Nomination and Remuneration Committees haven't been established because of the Board's structure. These duties are carried out by the Corporate Governance Committee as well. The duties, working principles and the members of the committees have been determined by the Board of Directors, approved as written documents, announced to the public and published on the corporate website of the Company. All members of all three committees are independent board members, only in the Corporate Governance Committee, as per Communiqué No. II.17.1, the Investor Relations Director acts as a

committee member. The Company's general manager has not been appointed within the committee structures.

Independent members of the Board of Directors are elected to serve for 1 (one) year. When the method followed before the general assembly regarding the independent members of the Board of directors is examined, it is understood that:

- The Nomination Committee prepares an evaluation report on the independence of the candidate for the election of independent members and submits it to the Board of directors,

- The Board of directors elects independent members within the framework of the nomination committee's report,

- The report prepared regarding the determined candidate is sent to the Capital Markets Board together with the candidate's resume, declarations of independence and the resolutions of the Board of Directors. In addition, it would be appropriate for the Company to pay attention to the time constraints specified in the principles during these processes.

The Board of Directors convened 6 (six) times in 2023 and 3 (three) times as of May 2024. The secretarial function of the Board is carried out by the Board of Directors assistant, Ms. Suzan MERT.

The Audit Committee held 4 (four) meetings in 2023. As of the end of May 2023, it held 2 (two) meetings. In the same period, in parallel with the number of meetings, the Committee submitted reports on its activities to the Board of Directors 4 (four) times in 2023 and 2 (two) times as of May 2024. The secretarial function of the Committee is carried out by the Financial Control and Reporting Director, Mr. Ulaş YİRMİBEŞ.

The Corporate Governance Committee convened 4 (four) times in 2023 and 2 (two) times as of the end of May 2023. The Committee submitted reports on its work to the Board of Directors three times in 2023 and once as of the end of May 2024. The secretariat of the Committee is carried out by

Investor Relations Director Ms. İdil ÖNAY ERGİN.

The Early Detection of Risk Committee held 6 (six) meetings in 2023 and 3 (three) meetings as of the end of May 2023. The Committee submitted reports to the Board of Directors on its work in the same number of meetings during the mentioned periods. The Committee's secretariat is carried out by Corporate Risk Management Manager Mr. Erdem PREKA.

In the examinations made on the documents, it was observed that the meeting records of both the Board and the Committees were kept regularly.

Remuneration Principles for the Members of the Board of Directors and Senior Executives have been determined and disclosed to the public on the Company's corporate website.

Fees and benefits given to the Board of directors and directors with administrative responsibilities are not disclosed on an individual basis.

The damages that may have been caused to the Company by the faults of the members of the Board of Directors during their duties were insured, but no PDP statement was made on the subject.

The Board of Directors does not yet have the practice of making performance evaluations on both a board and member basis and rewarding or dismissing the Members based on these evaluations.

### 3. COMPANY PROFILE AND CHANGES OVER THE PAST YEAR

#### A. Company Profile:



<b>Company Name</b>	: EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş
<b>Company Address</b>	: <b>Headquarter</b> Barbaros Mahallesi Ardıç Sok. No:6 Ataşehir / İstanbul <b>Head Office</b> Uzunkum Caddesi No: 7 67330 Kdz. Ereğli/ZONGULDAK
<b>Company Phone</b>	: (0216) 578 8329
<b>Company Fax Number</b>	: (0216) 469 4810
<b>Company's Web Address</b>	: <a href="http://www.erdemir.com.tr">www.erdemir.com.tr</a>
<b>E-mail Address</b>	: <a href="mailto:iletisim@erdemir.com.tr">iletisim@erdemir.com.tr</a> : <a href="mailto:investorrelations@erdemir.com.tr">investorrelations@erdemir.com.tr</a>
<b>Date of Incorporation</b>	: May 11, 1960
<b>Trade Register No.</b>	: 863637
<b>Paid-in Capital</b>	: 3,500,000,000 - TL
<b>Line of Business</b>	Iron and steel roll products of all types, sizes and qualities, alloyed or pure iron, steel and iron casts, cast and pressed products and businesses stated in the Articles of Association.
<b>Company's Sector</b>	: Manufacturing Industry / Base Metal Industry

#### **Company's Representative in Charge of Rating:**

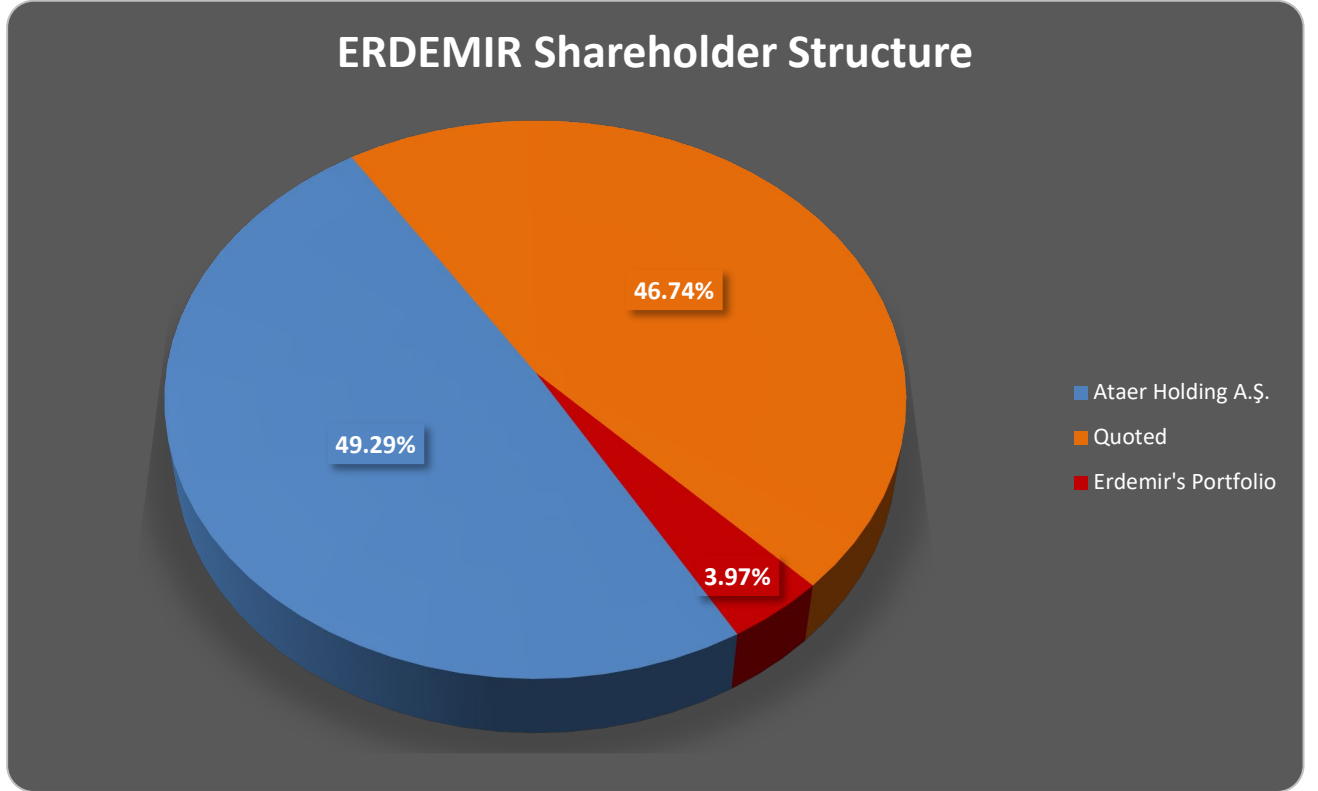
**İdil ÖNAY ERGİN**

**Investor Relations Director**

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**(0216) 578 8061**

*Shareholder Structure (as of the date of this report)*



Source: Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

Shareholder Name	Share (Thousand TL)	Share(%)
ATAER Holding A.Ş.*	1,724,982	49.29
Quoted in Stock Exchange	1,635,956	46.74
Erdemir's Portfolio	139,062	3.97
<b>Total **</b>	<b>3,500,000</b>	<b>100.00</b>

Source: Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

\* The main shareholder of the Company is ATAER Holding A.Ş, and its ultimate main shareholder is the Turkish Armed Forces Assistance Fund (OYAK).

Detailed explanations about the Company's capital are provided in the "i. *Capital and Articles of Association Amendments*" section of our report.

## Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
OYTAŞ İç ve Dış Ticaret A.Ş. (Representative: <b>Süleyman Savaş ERDEM</b> )	Chairman	Non - Executive
OMSAN Lojistik A.Ş. (Representative: <b>Gürtan DAMAR</b> )	Deputy Chairman of the Board of Directors-Managing Director	Executive
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Representative: <b>Mustafa Serdar BAŞOĞLU</b> )	Member of the Board of Directors-Managing Director	Executive
OYKA Kâğıt Ambalaj San ve Tic. A.Ş.(Representative: <b>Baran ÇELİK</b> )	Member of Board of Directors	Non - Executive
OYAK Denizcilik ve Liman İşletmeleri A.Ş (Representative: <b>Güliz KAYA</b> )	Member of Board of Directors	Non - Executive
T.C Hazine ve Maliye Bakanlığı ÖİB (Representative: <b>Bekir Emre HAYKIR</b> )	Member of Board of Directors	Non - Executive
<b>Emre GÖLTEPE</b>	Independent Member of Board of Directors	Non - Executive
<b>Kadri ÖZGÜNEŞ</b>	Independent Member of Board of Directors	Non - Executive
<b>Sezai Afif ENSARİ</b>	Independent Member of Board of Directors	Non - Executive

Source: www.kap.org.tr

## Committees Formed Within Board of Directors

### Corporate Governance Committee

Name Surname	Title	Duty
Kadri ÖZGÜNEŞ	Independent Member of Board of Directors	Chairman Of The Committee
Emre GÖLTEPE	Independent Member of Board of Directors	Committee Member
İdil ÖNAY ERGİN	Investor Relations Director	Committee Member

### Audit Committee

Name Surname	Title	Duty
Emre GÖLTEPE	Independent Member of Board of Directors	Chairman Of The Committee
Sezai Afif ENSARİ	Independent Member of Board of Directors	Committee Member

### Early Detection of Risk Committee

Name Surname	Title	Duty
Sezai Afif ENSARİ	Independent Member of Board of Directors	Chairman Of The Committee
Kadri ÖZGÜNEŞ	Independent Member of Board of Directors	Committee Member

### Top Management of the Company

Name/ Surname	Title
Niyazi Aşkın PEKER	General Manager of ERDEMİR
Mustafa Serdar BAŞOĞLU	Finance Management and Financial Affairs Group Vice President
Sercan BÜYÜKBAYRAM	Marketing and Sales Group Vice President
Şevket Selim YILMAZ	Purchasing Group Vice President
Ercan KAYA	Corporate Architecture and HR Group Vice President
Sinan BOZKURT	Deputy General Manager / Enterprises

Source: [www.kap.org.tr](http://www.kap.org.tr)

### Balance-Sheet Comparison of Company's Certain Selected Items for yearends of last two years (Consolidated)

	2022/12 (Thousand USD)	2023/12 (Thousand USD)	Change% (USD)	2022/12 (Thousand TL)	2023/12 (Thousand TL)	Change % (TL)
Current Assets	4,313,559	4,569,509	5.93	80,656,225	134,518,116	66.78
Trade Receivables	834,415	691,386	- 17.14	15,602,149	20,353,161	30.45
Inventories	2,361,306	2,285,354	- 3.22	44,152,408	67,276,704	52.37
Fixed Assets	5,039,891	5,962,156	18.30	94,237,398	175,515,133	86.25
Total Assets	9,353,450	10,531,665	12.60	174,893,623	310,033,249	77.27
Short-Term Liabilities	1,916,965	3,027,730	57.94	35,908,584	89,291,663	148.66
Long-Term Liabilities	1,084,927	990,553	- 8.70	20,322,852	29,212,704	43.74
Paid Capital	1,818,371	1,818,371	-	3,500,000	3,500,000	-
Equity	6,351,558	6,513,382	2.55	118,662,187	191,528,882	61.41

Source: Erdemir Group Independent Audit Report 01.01.2023 - 31.12.2023

The 2023 Consolidated Financial Reports for the year ended December 31, 2023, have been prepared in accordance with the TMS 29 "Financial Reporting in Hyperinflationary Economies" Standard, as per the announcement made by the Public Oversight Authority on November 23, 2023, and in compliance with the "Tax Procedure Law General Communiqué (Serial No: 555)" published in the Official Gazette No. 32415 (2nd Duplicate) on December 30, 2023. The comparisons in the table have been made using these data.

### Income Statement Comparison of Company's Certain Selected Items for yearends of last two years (Consolidated)

	2022/12 (Thousand USD)	2023/12 (Thousand USD)	Change % (USD)	2022/12 (Thousand TL)	2023/12 (Thousand TL)	Change % (TL)
Revenue	8,107,125	6,238,260	- 23.05	127,782,881	147,899,792	15.74
Cost Of Sales	(6,486,828)	(5,637,556)	- 13.09	(102,244,085)	(133,658,002)	30.72
Operational Profit / Loss	1,495,387	562,437	- 62.39	23,569,988	13,334,560	- 43.43
Profit/Loss Before Tax	1,402,914	372,741	- 73.43	22,112,454	8,837,129	- 60.04
Profit/Loss for the Period	1,183,434	182,596	- 84.57	18,653,054	4,329,064	- 76.79

Source: Erdemir Group Independent Audit Report 01.01.2023 - 31.12.2023

The 2023 Consolidated Financial Reports for the year ended December 31, 2023, have been prepared in accordance with the TMS 29 "Financial Reporting in Hyperinflationary Economies" Standard, as per the announcement made by the Public Oversight Authority on November 23, 2023, and in compliance with the "Tax Procedure Law General Communiqué (Serial No: 555)" published in the Official Gazette No. 32415 (2nd Duplicate) on December 30, 2023. The comparisons in the table have been made using these data.



**Subsidiaries, Financial Fixed Assets and Financial Investments**

Trade name	Line of Business	Paid-in/ Issued Capital	Share in the Capital	Curre ncy	Share(%)	The Nature of the Relation
İskenderun Demir ve Çelik A.Ş.	Integrated Iron and Steel Production	2,900,000,000	2,751,325,633.16	TRY	94.87	Full Consolidation
Erdemir Madencilik San. ve Tic. A.Ş.	Iron Ore, Pellet Manufacturing	120,000,000	108,000,000	TRY	90	Full Consolidation
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Steel Service Center	39,952,781	39,952,781	TRY	100	Full Consolidation
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Management and Consultancy	7,500,000	7,500,000	TRY	100	Full Consolidation
Erdemir Romania SRL	Production of Siliceous Steel	81,501,550	81,501,550	RON	100	Full Consolidation
Erdemir Asia Pacific Private Limited	Commercial Activity	250,000	250,000	USD	100	Full Consolidation
Erdemir Enerji Üretim A.Ş.	Energy Generation	18,000,000	18,000,000	TRY	100	Full Consolidation
İsdemir Linde Gaz Ortaklığı A.Ş.	Industrial Gas Production and Sale	140,000,000	66,411,308.39	TRY	47.44	Joint Venture Partnership
Kümaş Manyezit Sanayi A.Ş.	Industrial Products	1,000,000,000	1,000,000,000	TRY	100	Full Consolidation

<http://www.kap.org.tr>Source: [www.kap.org.tr](http://www.kap.org.tr)

The group's financial data are shown on the previous page.

- As of 31.12.2023, 12,487 people were employed at Erdemir Group, 4,027 with monthly wages and 8,460 with hourly wages.

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

***BIST Code*** : EREGL

***Market where the Capital Market Instrument is Traded*** : YILDIZ PAZAR

***The Indices In Which It Is Included*** : BIST 500 / BIST PARTICIPATION 30 / BIST CORPORATE GOVERNANCE / BIST LIQUID 10 EX BANKS / BIST BASIC METAL / BIST SUSTAINABILITY PARTICIPATION / BIST 100 / BIST PARTICIPATION 50 / BIST PARTICIPATION ALL SHARES / BIST BUYBACK / BIST 50 / BIST STARS / BIST 30 / BIST SUSTAINABILITY / BIST INDUSTRIALS / BIST ALL SHARES / BIST PARTICIPATION 100

***The Peak and Bottom Closing Values of the Company's Stock  
in the BIST in the Last One Year Period (17.07.2023-17.07.2024)***

<b><i>Bottom (TL)</i></b>	<b><i>Peak (TL)</i></b>
37.06 (25.07.2023)	56.90 (16.07.2024)

Source: Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

**B. Changes in the Company in the Last Year:**

***i. Changes in Capital and Articles of Association***

With the decision of the Company's Board of Directors dated 27.02.2024 and numbered 9940, considering the authorized capital ceiling of 7,000,000,000 TL allowed until 2026, it has been decided to increase the current issued capital of 3,500,000,000 TL to 7,000,000,000 TL by using the capital inflation adjustment differences, which corresponds to a 100% increase of the current issued capital, and to distribute the shares resulting from this increase to shareholders as book-entry shares free of charge, with the Vice Presidency of Financial Management and Fiscal Affairs authorized to carry out all transactions related to the capital increase.

In the Material Disclosure dated 08.05.2024, it was stated that an application was made to the Capital Markets Board (CMB) on 08.05.2024 for approval of the new version of Article 7 of the Company's Articles of Association regarding capital, which reads as follows: "The registered capital ceiling of the Company is 7,000,000,000.00 TL (seven billion Turkish Liras). The Board of Directors, complying with the conditions stipulated in this article, can issue shares up to the registered capital amount, each with a nominal value of 1 Kr (one Kuruş) and all to be registered shares, and can increase the capital between 2022-2026 whenever deemed necessary." As of the report date, the CMB has not yet provided an opinion.

***ii. Profit Distribution:***

Erdemir's 2023 activities resulted in a net period profit of 4,842,710,322 TL according to the financial statements prepared in accordance with the provisions of the Tax Procedure Law (TPL) and 4,901,273,624 TL (including donations) according to the consolidated financial statements prepared in accordance with the provisions of the Capital Markets Board (CMB) Communiqué II-14.1.

The decisions of the Company's Board of Directors regarding the distribution of the net period profit obtained from the 2023 activities are as follows, dated and numbered 28.02.2024/9883 and 20.03.2024/9946:

- In accordance with Article 519 of the TCC and the CMB provisions, since the limit for setting aside the general legal reserve has been reached, no 5% general legal reserve will be set aside from the net period profit in the 2023 financial statements prepared in accordance with TPL provisions.
- A cash dividend of 1,750,000,000 TL, corresponding to 43.391058% of the net distributable period profit in the 2023 financial statements prepared in accordance with CMB regulations, will be distributed to shareholders.
- In accordance with Article 519 of the TCC, since the amount of the cash dividend to be distributed exceeds 5% of the Company's paid-in capital, a general legal reserve of 157,500,000 TL will be set aside.
- After deducting the first dividend to shareholders and the general legal reserve from the net period profit, the remaining 2,125,588,989 TL will be set aside as extraordinary reserves.

➤ The dividend distribution date will be determined by the Board of Directors after the Ordinary General Assembly, considering the Company's cash projections, and will be done in one installment.

These matters were decided to be submitted for approval at the Company's Ordinary General Assembly Meeting to be held in March 2024.

The Board of Directors' proposal regarding the dividend distribution was discussed and approved as item 7 of the agenda at the ordinary general assembly meeting held on 28.03.2024.

The dividend distribution commenced on April 16, 2024, and the dividend was reflected in the accounts of public shareholders with a T+2 value date.

### **iii. Policies:**

No changes were made in company policies (Disclosure Policy, Dividend Distribution Policy, Remuneration Policy, Compensation Policy, Human Resources Policy, Donations and Aid Policy, Erdemir Group Ethical Rules and Working Principles, Erdemir Group Anti-Corruption Policy) during the reviewing period. The aforementioned policies were disclosed to the public on the Company's corporate website.

### **iv. Management and Organization:**

Changes in the Company's senior management during the reviewing period;

- At the ordinary general assembly meeting held on March 28, 2024, Mr. Emre GÖLTEPE, Mr. Kadri ÖZGÜNEŞ, and Mr. Sezai Afif ENSARİ were elected as Independent Board Members to serve for a period of 1 year.

- With the decision of the Board of Directors dated December 28, 2023, and numbered 9921, based on the decision of the Board of Directors of OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Corporate Board Member of the Company) numbered 2023/27, it was decided to register and announce Mr. Eren Ziya DİK in place of Mr. Volkan ÜNLÜEL as the representative acting on behalf of OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. The aforementioned assignments were submitted for the approval of shareholders at the ordinary general assembly held on March 28, 2024.

- With the decision of the Board of Directors dated April 09, 2024, and numbered 9953, it was decided to authorize:

OYTAŞ İç ve Dış Ticaret A.Ş. (Representative: Süleyman Savaş ERDEM) as the chairman of the Board, OMSAN Lojistik A.Ş. (Representative: Mr. Baran ÇELİK) as the vice chairman of the Board and managing director, OYAK Pazarlama Hizmet ve Turizm A.Ş. (Representative: Mr. Gürtan DAMAR) as a board member and managing member.

- With the decision of the Board of Directors dated June 03, 2024, and numbered 9963, it was decided to register and announce in the trade registry:

➤ In accordance with the decision of the Board of Directors of OMSAN Lojistik A.Ş. (Corporate Vice Chairman and Managing Director) numbered 19, to appoint Mr. Grtan DAMAR in place of Mr. Baran ELİK as the natural person representative acting on behalf of OMSAN Lojistik A.Ş.,

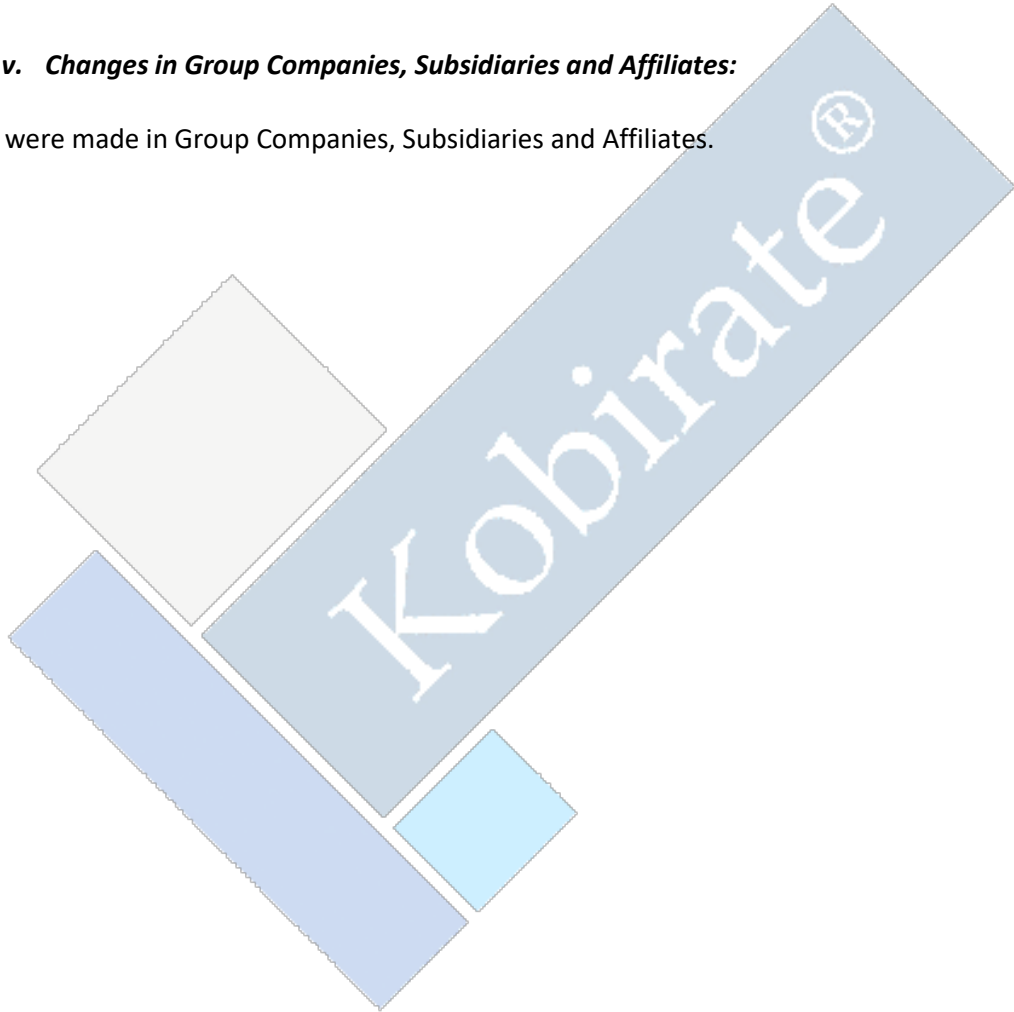
➤ In accordance with the decision of the Board of Directors of OYAK Pazarlama Hizmet ve Turizm A.Ş. (Corporate Board Member and Managing Director) numbered 2024/26, to appoint Mr. Mustafa Serdar BAŐOĐLU in place of Mr. Grtan DAMAR as the natural person representative acting on behalf of OYAK Pazarlama Hizmet ve Turizm A.Ş.,

➤ In accordance with the decision of the Board of Directors of OYKA KaĐıt Ambalaj Sanayii ve Ticaret A.Ş. (Corporate Board Member) numbered 19, to appoint Mr. Baran ELİK in place of Mr. Eren Ziya DİK as the natural person representative acting on behalf of OYKA KaĐıt Ambalaj Sanayii ve Ticaret A.Ş.

No other changes were made to the Board of directors and senior management during the reviewing period.

**v. Changes in Group Companies, Subsidiaries and Affiliates:**

No changes were made in Group Companies, Subsidiaries and Affiliates.



## 2. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system that audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with modern corporate governance principles and which assigns a grade corresponding to the existing situation.

The Organization for Economic Co-operation and Development (OECD) established a working group in 1998 to assess member countries' opinions on corporate governance and to prepare some non-binding principles.

The fact that principles are open to change in time was also accepted in this work. Although, at first, these principles were focused on the companies whose shares were quoted on the stock exchange, it was emphasized by the OECD that it would also be useful to implement these principles in public enterprises and companies whose shares were not quoted on the stock exchange.

In 1999, OECD Corporate Governance Principles were approved and published at the OECD Ministers Meeting. Since then, these principles have been regarded as international references for decision-makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles have kept the concept of corporate governance on the agenda and become guidelines for the laws and regulations of OECD members, as well as other countries.

According to the OECD Corporate Governance Principles, corporate governance is based on four basic principles: fairness, transparency, accountability, and responsibility.

Turkey has been closely monitoring these developments. A working group established within TUSIAD in 2001 prepared the guide

titled "Corporate Governance: The Best Implementation Code." Then, CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014 according to international developments in this field.

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

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

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

It has been prepared by considering the criteria specified in the Corporate Governance Communiqué of the CMB, numbered II-17.1, published in the Official Gazette dated January 03, 2014, and numbered 28871, as well as the decisions taken by the CMB's board meeting dated 01.02.2013 and numbered 4/105.

In this analysis, the full compliance of workflow and analysis techniques with KOBİRATE A.Ş.'s Ethical Rules is considered.

456 criteria are used in the rating process for BIST 1st Group Companies in order to measure the compliance of firms with corporate governance principles. These criteria are transformed into "Corporate Governance Rating Question Sets" through Kobirate A.Ş.'s software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's

memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as follows:

**Shareholders 25 %**

**Public Disclosure and Transparency 25 %**

**Stakeholders 15 %**

**Board of Directors 35 %**

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

In the 2014/2 revised corporate governance compliance rating methodology created by our Company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014 is restricted to 85 % of the full points. A rating is made with a system that completes the section grades up to 100 by the Company's compliance and implementation of the corporate governance practices, which include the good implementation and internalization of the criteria determined in the corporate governance principles and the different good corporate governance practice criteria determined by our Company.

The grade to be assigned by the Corporate Governance Rating Committee to the firm

ranges between 0-10. On this scale of grades, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles, while grade "0" means that there is no compliance with CMB's Corporate Governance Principles in any sense in the existing weak structure.

Kobirate®

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

<b>GRADE</b>	<b>DEFINITIONS</b>
<b>9-10</b>	The Company achieved substantial compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency is high. The interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.
<b>7-8.9</b>	The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are operational and in place, although some improvements are required. Potential risks to which the Company may be exposed are identified and can be managed. The rights of the shareholders are impartially taken care of. Public Disclosure and transparency are at high levels. The interests of the stakeholders are fairly considered. The composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles, even though they do not constitute serious risks. The Company is eligible for inclusion in the BIST Corporate Governance Index.
<b>6-6.9</b>	The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at a moderate level have been established and operated. However, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of, although improvement is needed. Although public disclosure and transparency are taken care of, there is a need for improvement. The benefits of the stakeholders are taken care of, but improvement is needed. Some improvement is required in the structure and working conditions of the Board.

<b>GRADE</b>	<b>DEFINITIONS</b>
<p style="text-align: center;"><b>4-5.9</b></p>	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level but are not full and efficient. Potential risks that the Company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, and the structure, as well as the working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
<p style="text-align: center;"><b>&lt; 4</b></p>	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the Company might be exposed to are not identified and cannot be managed. The Company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, such as public disclosure, transparency, structure, and working conditions of the Board, and they are at a level that might cause the investor to incur material losses.</p>

