



KARDEMİR
KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.



**Board of Directors Activity Report Prepared in Accordance with
Communique Serial No. II-14.1
for the 01.01.2019 – 31.12.2019 Period**



KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS ACTIVITY REPORT PREPARED IN ACCORDANCE WITH COMMUNIQUE SERIAL NO. II-14.1

Report Period : January 1, 2019 – December 31, 2019
Partnership Title : KARDEMİR Karabük Demir Çelik Sanayi ve Ticaret A.Ş.
Trade Registry of the Partnership. : Karabük Registry of Commerce / No: 005055-4349
Headquarters : Öğlebeli Mahallesi Karabük Ankara Yolu No:2 Fabrika
Sahası-KARABÜK
Website : www.kardemir.com

1. Business Sector

Operating in the iron and steel industry, our Company's areas of activity are defined in Article 3 of the Articles of Association. Our primary activity is the manufacture and sale of all kinds of raw iron and steel products, and coke and coke by-products.

2. Kardemir and the Iron and Steel Industry:

2018-2019 GLOBAL RAW STEEL PRODUCTION

Rank	Countries	2019 (Mt)	2018 (Mt)	% change (18/17)	% Share
1.	China	996,3	920	8,3	53,28
2.	India	111,2	109,3	1,8	5,94
3.	Japan	99,3	104,3	-4,8	5,30
4.	USA	87,9	86,6	1,5	4,70
5.	Russia	71,6	72	-0,7	3,82
6.	South Korea	71,4	72,5	-1,4	3,81
7.	Germany	39,7	42,4	-6,5	2,12
8.	Turkey	33,7	37,3	-9,6	1,80
9.	Brazil	32,2	35,4	-9	1,72
10.	Iran	31,9	24,5	30,1	1,70
	GLOBAL	1.869,900	1.808.600	3,4	100

Table 1: World Raw Steel Production

Source: Turkish Steel Producers Association

For the month of December of 2019, the World Steel Association reported that global raw steel production had increased by 2.9% on a monthly basis and 4% on a yearly basis to reach 152.12 million tons. However, total world steel production for the year 2019 actually increased 3.4% on a yearly basis, reaching 1.87 billion tons. Raw steel production in Asia in 2019 increased 5.7% compared to the previous year to reach 1.34 billion tons. During this period, China's raw steel production reached 996.3 million tons at a yearly increase of 8.3%, Japan's raw steel production was 99.3 million tons with a yearly decrease of 4.8%, India's raw steel production was 111.2 million tons showing an increase of 1.8% and South Korea's raw steel production was 71.4 million tons with a decrease of 1.4%.



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On the other hand, EU-28 countries produced 159.43 million tons of raw steel at a yearly decrease of 4.9% in 2019. Over the same period, Germany's raw steel production decreased by 6.5% to reach 39.67 million tons, Italy's raw steel production was 23.24 million tons at a yearly decrease of 5.2%, and France's raw steel production was 14.45 million tons at a yearly decrease of 6.1%.

Turkey produced 33.74 million tons of raw steel with a yearly decrease of 9.6% in 2019. Iran produced 31.9 million tons of raw steel in 2019 at a 30.1% yearly increase. Raw steel production of the Commonwealth of Independent States reached 100.17 million tons at a yearly decrease of 0.6%, and Russian raw steel production was 71.57 million tons with a yearly decrease of 0.8% over the same period. Raw steel production in Ukraine, on the other hand, regressed to 20.85 million tons at a yearly decrease of 1.2%.

North American countries produced 119.96 million tons of raw steel in 2019 with a yearly decrease of 0.8%. That year, the US produced 87.93 million tons of raw steel at a yearly increase of 1.5%, and Mexico produced 18.59 million tons of raw steel at a yearly decrease of 8%. Over the same period, the raw steel production of South American countries reached 41.16 million tons at an 8.4% decrease compared to 2018, with Brazil producing 32.24 million tons of raw steel at a yearly decrease of 9%.

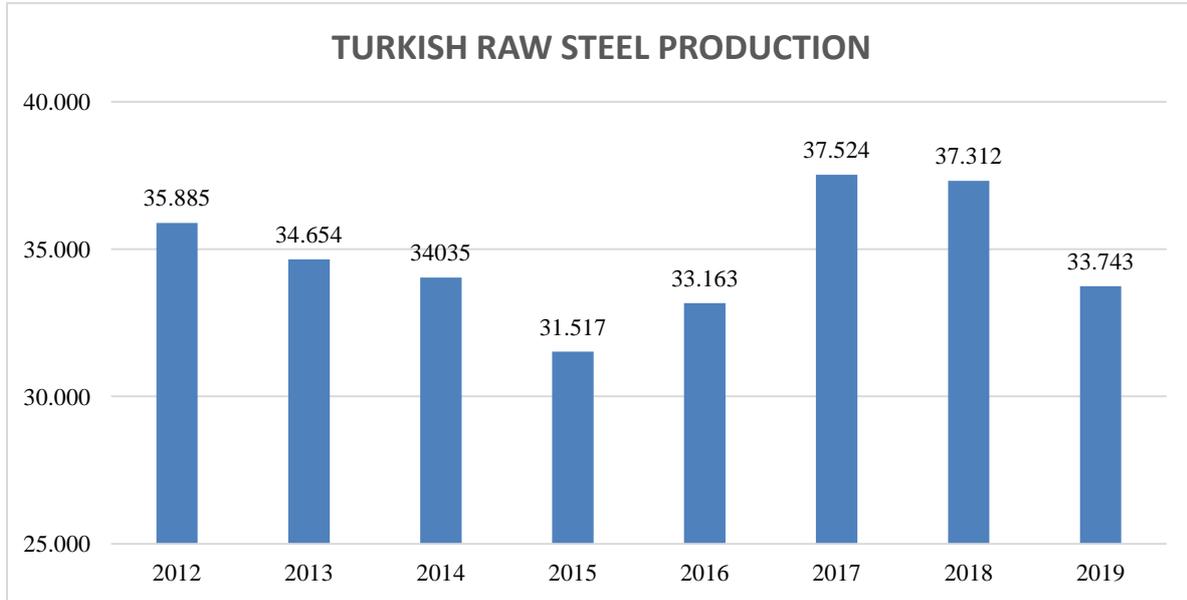


Table 2: Turkish Raw Steel Production

Source: Turkish Steel Producers Association

In Turkey, raw steel production decreased by 9.6% to 33.7 million tons in 2019, but still maintained its 8th place on the global raw steel producers' list.

Raw steel production in Electric Arc Furnace plants decreased by 11.3%, and production by Blast Furnaces showed a 5.7% decrease, both compared to the previous year.

In 2019, Turkey's Long Product outputs reached their lowest level of the past 8 years, with its consumption rate also showing an almost 30% decrease.



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2019 exports of long semi-finished products increased compared to the previous year, and its imports decreased. Long products, on the other hand, saw exports decrease by 1%, and imports decrease by 17.3%.

With the goal of increasing its total liquid steel production to 3.5 million tons/year, KARDEMİR affects the economic lives of approximately 50.000 people and continues operating with the purpose of developing new products and increasing its competitive power in the sector.

With this in mind, in 2019, focus was concentrated on developing new products with high added value as are currently met by imports. Important steps were taken within the body of our company to develop and produce new products with high added value that are not produced domestically but are used in automotive, defense and railway industries around the world.

We continue to work on projects worth approximately 42 million TL that prioritize competition and quality in our Ministry of Industry and Technology approved R&D Center. Our company is both IATF 16949 certified, which covers the international technical requirements of the automotive industry, and ISO TS 22163 (IRIS) International Railway Industry Standard Management System certified, to provide quality and reliability in the railway industry. It also cooperates closely with universities and with suppliers that are equipped with global production techniques who provide products to the automotive, defense industry, and railway sectors. Some of our newly developed products are:

- Our Bar and Coil Mills have successfully produced 23MnB4, 27MnB4, C10C and 1006 quality steels as used in the manufacturing of connection elements in the automotive industry with a capacity of 831.600 tons/year.
- 54SiCr6 quality steel and high carbon steels as used in the sector for the manufacture of suspension springs have been released commercially.
- Added 1082 PC Wire coils and B420C quality ribbed coils as used in the construction sector to our product range.
- Test production on S1, S2, SG2 and SG3 welding wires as used in machine manufacturing and the automotive industry continue.
- Work on the production of free machining steel as used in machine manufacturing and the construction sector in addition to the automotive industry continues.
- Our Rod Coil production plants cater to many sectors, producing 5.5 – 25 mm coils, 20 – 56 mm thick coils and 20-100 mm round bars (SBQ).
- Work continues on the production of 1070, 1073, 1075 and 1080 steels, known as Tire Cords, which are used in the tire sector with steel qualities ranging from 17MnB3, 20MnB4, 30MnB4 to 41Cr4.



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Within this scope, we aim to primarily contribute to the domestic production of an automobile, but also to take a share of the 25 million Euros in annual imports in the machine manufacturing and furniture sectors.

As a member of SAHA Istanbul (Defense, Aviation, and Space Association) which contributes to the development of the defense, aviation and space industries and creates sectoral specialization and global competitive advantage by increasing the share of domestic production in this area, our company considers producing steel used in the strategically important defense industry one of its most important targets. With this purpose, in cooperation with the Presidency of Defense Industries and all the representatives of the industry, our company develops and produces 42CrMo4 (4140) quality abrasion resistant steel in the form of coils as used in the manufacture of various parts in the sector. As Turkey's first integrated iron and steel factory, our aim is to contribute to our national survival and to increase the 70% domesticity rate our defense industry has already reached.

As the sole rail producer in both Turkey and in regional countries with our Rail Profile Rolling Mill with a capacity of 450.000 tons/year, our company is the most important strategic partner of Turkish State Railways. Since 2007, we have constructed 11 thousand km of railways, equivalent to the production of approximately 1.5 million tons of rail. We have made approximately 750 thousand tons of rail shipments to Turkish State Railways alone since 2007, thus preventing around 600 million Euros in imports, and securing rail supplies, which are the most critical equipment in our rail systems industry. Turkish State Railways constructed 2,149 km of new railway lines, 1,213 km of which are High-Speed Train Lines as a required by state policies since 2003, and 11,497 km of conventional railway lines has been completely renewed. The construction of 4,000 km of railway lines continue in our country, and Turkish State Railways carries out the construction, tender and survey work of 13,000 km of new railway lines. As in the first years of our Republic, this is a period of great development, and Kardemir has embarked on the rail production process our President ordered, crisscrossing Turkey with an iron network, and embracing Anatolia with its steel arms. KARDEMİR has gone beyond simply meeting the needs of our country, providing a foreign currency inflow of nearly 240 million Euros by exporting approximately 314,000 tons of rails to world markets in the last decade. The 2017 investment made through the University-Industry Cooperation initiative was one of Turkey's most important R&D projects, resulting in our company producing hardened rails and has offered 60R1 and 60R2 flanged rail types as well as R350 HT rails.

Our company supplies the railway sector with more than rails. In fact, as one of the few railway wheel producers in the world, our company started production on BA318 type rail wheels in November 2019, completing its first exports of this product to Europe as well as selling them domestically. Our company



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will produce 200,000 rail wheels annually, 40,000 of which will be passenger train wheels, 20,000 locomotive wheels and 20,000 light rail system wheels. Our target export markets for the majority of our wheels include European countries such as Germany, Austria, Poland, Slovakia, Bulgaria and France, in addition to the Middle East and North African countries. Our first goal is to take a share of the 10,000 rail wheels imported annually at an average worth of approximately 8 million Euros, then to hit full capacity and contribute approximately 150 million Euros annually to our country's exports. Our work on the production of BA004 type rail wheels also continues.

For the railway industry, we successfully completed test production of 38SI7 quality coils as used in the manufacture of rail clips, which connect rails with concrete sleepers in our Rod Coil Rolling Mill and started mass production.

KARDEMİR is also our country's only producer of heavy profiles. Producing IPE, NPI, NPU, HEA and HEB type profiles, our company offers 400 mm NPI and NPU type profiles, 500 mm HEA and HEB profiles, and 550 mm IPE profiles contributing to nationalization efforts in this area. With our increased production volume and product range, imports of heavy profiles in 2019 decreased by 65% compared to the previous year, and Kardemir profiles were used in the construction of many important structures, industrial plants, and mega projects.

Platina products of 20-80 mm thickness and 200-405 mm width are still produced in our profile production plant. A new investment in this plant will increase platina width to 605 mm and ensure import substitution.



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3. Names, Surnames and Terms of Office for the Chairman and Members of the Board of Directors within the Operating Period:

Name and Surname	Title	Group	Term Start Date	Term of Office	Term End Date
Mustafa YOLBULAN	Chairman	Group A	01.11.2017	3 Years	On Duty
Ömer Faruk ÖZ	Deputy Chairman	-	01.11.2017	3 Years	On Duty
Atilla Tamer ALPTEKİN	Member	Group A	01.11.2017	3 Years	On Duty
Talat YILMAZ	Member	Group A	01.11.2017	3 Years	On Duty
Burak YOLBULAN	Member	Group A	01.11.2017	3 Years	On Duty
Kamil GÜLEÇ	Member	Group B	01.11.2017	3 Years	On Duty
Hüseyin Çağrı GÜLEÇ	Member	Group B	01.11.2017	3 Years	On Duty
Murat YOLBULAN	Member	Group D	01.11.2017	3 Years	On Duty
Mehmet ERDOĞAN	Independent Member	-	01.11.2017	3 Years	On Duty
Bülent GEDİKLİ	Independent Member	-	01.11.2017	3 Years	On Duty
Osman KAHVECİ	Independent Member	-	03.07.2018	2 Years 4 Months	On Duty

Table 3. Members of the Board of Directors and their Terms of Office



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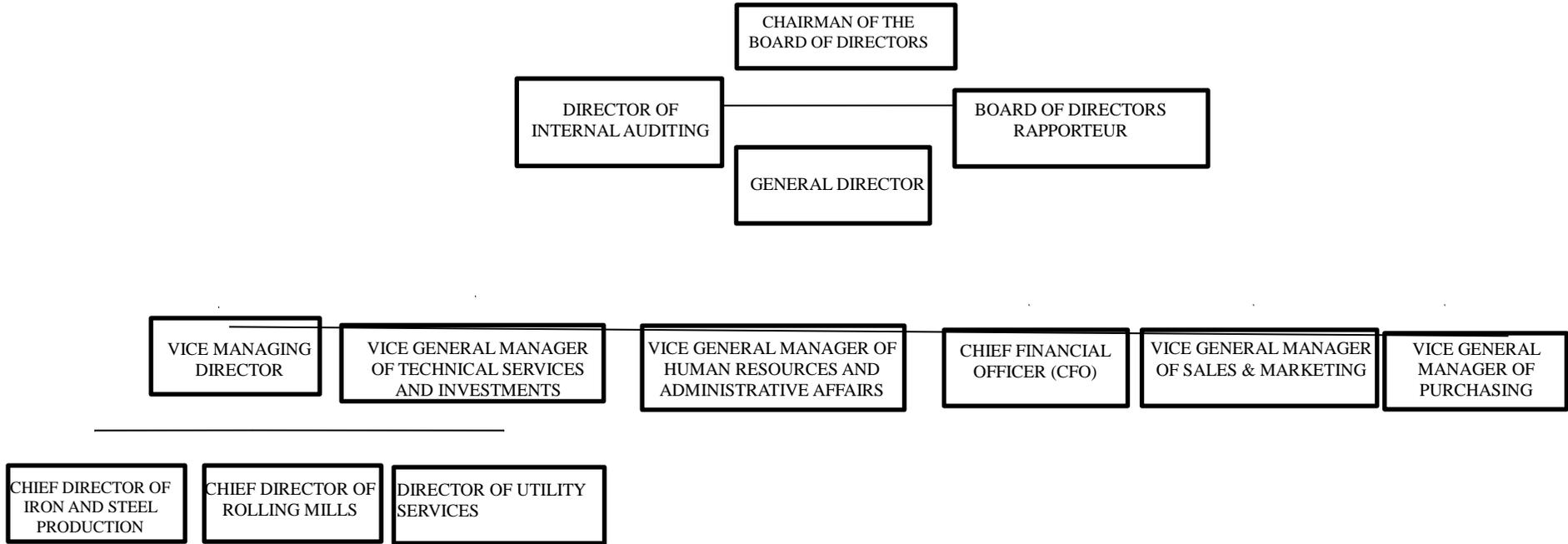


Table 4. Organizational Chart



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4. Board Members' Authorities:

The authorities of the Company's Board Members are set forth in Article 12 of the Articles of Association.

4.1. Number of Board Meetings during the Year and Board Member Participation at these Meetings:

The Board of Directors convened 22 times in 2019 and all Board of Directors members participated at a majority of the meetings. Wages to be paid to Board Members are determined by a remuneration policy decision at the annual General Meeting of the Company. In 2019, the total amount of benefits provided to senior managers of the company, associated partners, Board Members, the General Manager and Vice General Managers was 15.431.498 TL. Other than these payments, a daily duty allowance of 200 TL was paid to Board Members only at the time of the meeting. No other payments were made apart from this. All Board Members are provided with Personal Accident and Director Liability Insurance.

4.2. Information on Positions and Duties Held by Board Members and Managers Outside the Company, Associate Partners, and Subsidiaries:

Board of Directors	Position	Positions Outside the Company
Mustafa YOLBULAN	Chairman of the Board of Directors	Yolbulanlar Nakl. ve Tic. A.Ş. - Board Member Yolbulan Demir San. ve Tic. A.Ş. - Board Member
Ömer Faruk ÖZ	Deputy Chairman of the Board of Directors	Eman Gayrimenkul Değerleme ve Sigorta Ekspertiz Hizmetleri A.Ş - Chairman of the Board of Directors
Atila Tamer ALPTEKİN	Board Member	No Position Outside the Company
Kamil GÜLEÇ	Board Member	Çağ Çelik D.Ç. End. A.Ş. - Chairman of the Board of Directors Şeyhoğlu Petrol Taşımacılık Servis Hizmetleri Ltd. Şti. Manager Güleç Petrol Taşımacılık Servis Hizmetleri San. ve Tic. Ltd. Şti. Manager Safran Sağlık Grup Eğitim Tur. İnş. San. Tic. A. Ş. - Chairman of the Board of Directors
Talat YILMAZ	Board Member	Çağdan Mühendislik Müteahhitlik San. Ve Tic. AŞ - Chairman of the Board of Directors
Burak YOLBULAN	Board Member	Yolbulan Çelik San. ve Tic. A. Ş. - Board Member Yücel Eko Tarım Sanayi A.Ş. - Board Member Enkay Moda Konfeksiyon San. ve Tic. A.Ş. - Board Member Kroman Çelik San. A.Ş. - Purchasing Manager
Hüseyin Çağrı GÜLEÇ	Board Member	Safran Sağlık Grup Eğitim Tur. İnş. San. Tic. A. Ş. - Board Member Çağ Çelik D.Ç. End. A. Ş. - Board Member Şeyhoğlu Petrol Taşımacılık Servis Hizmetleri Ltd. Şti. - Manager Dez Madencilik ve Lojistik İth. İhr. Tic. A. Ş. - Chairman of the Board of Directors Güleç Petrol Taşımacılık Servis Hizmetleri San. ve Tic. Ltd. Şti. - Manager



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Murat YOLBULAN	Board Member	Enkay Moda Konfeksiyon San. ve Tic. A.Ş. - Deputy Chairman of the Board of Directors Endenim Tekstil San. ve Tic. A.Ş. - Deputy Chairman of the Board of Directors Enkayteks Tekstil San. ve Tic. A.Ş. - Deputy Chairman of the Board of Directors Doyo İnşaat Turizm Yatırım San. ve Tic. A.Ş. - Deputy Chairman of the Board of Directors Mert Solar Enerji İnş. San ve Tic. A.Ş - Chairman of the Board of Directors Atlas Solar Enerji İnş. San ve Tic. A.Ş - Chairman of the Board of Directors Yolbulanlar Nakl. ve Tic. A.Ş. - Board Member Yolbulan Çelik San. ve Tic. A. Ş. - Board Member Yolbulan Demir San ve Tic A.Ş. - Board Member Yücel Boru Profil Endüstri A.Ş - Board Member Çayırova Boru San.ve Tic.A.Ş. - Board Member Canyol Yatırım İnş. A.Ş. - Board Member
Bülent GEDİKLİ	Board Member	Sebahattin Zaim University - Lecturer Kütahya Porselen San.A.Ş - Board Member
Mehmet ERDOĞAN	Board Member	NGC Danışmanlık Hiz. Anonim Şirketi - Board Member
Osman KAHVECİ	Board Member	No Position Outside the Company

Table 5. Positions and Duties Held Outside the Company by Board Members

5. Senior Management:

Senior Management	Position	Position Outside the Company
Dr. Hüseyin Ş. SOYKAN	General Director	Karabük University Part-Time Lecturer
M. Furkan ÜNAL	Vice Chief Financial Officer	Karabük University Part-Time Lecturer
Reyhan ÖZKARA	Vice General Manager of Sales and Marketing	No Position Outside the Company
Hasan AKBULUT	Vice Managing General Director	No Position Outside the Company
Uğur ALTUNDAĞ	Vice General Manager of Human Resources and Administrative Affairs	No Position Outside the Company
Murat ŞENAL	Vice General Manager of Purchasing	No Position Outside the Company

Table 6. Positions Held by Senior Management Outside the Company

Dr. Hüseyin Ş. SOYKAN was appointed General Director (CEO) of the Company on 06.02.2019 as per a Board Meeting resolution taken on 04.02.2019 and currently serves in this position.

M. Furkan ÜNAL started working as Vice Chief Financial Officer (VCFO) at the Company on 02.01.2018 and currently serves in this position.



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Reyhan ÖZKARA, started working at the Company on 12.06.1995. She was appointed Vice General Manager of Sales and Marketing on 15.12.2016 and currently serves in this position.

Hasan AKBULUT was appointed Vice Managing General Director by the Board of Directors on 04.02.2019 and has been serving in this position since 04.02.2019.

Murat ŞENAL started working at our Company on 16.07.2015. He was appointed Vice General Manager of Purchasing on 09.05.2019 and currently serves in this position.

Uğur ALTUNDAĞ started working as Vice General Manager of Human Resources and Administrative Affairs at our Company on 17.06.2019 and currently serves in this position.

6. Evaluation of the Board of Directors on Operating Principles, Committee Members, Meeting Frequency, and the Effectiveness of Committees and Activities:

As per the Corporate Governance Communiqué, the Audit Committee, the Early Detection of Risk Committee and the Corporate Governance Committee were all established within the body of the Board of Directors. The structures, areas of service, and operating principles of these committees can be found in the Investor Relations section on the Company's website.

In 2019, the Audit Committee convened four times. The decisions made in this meeting were submitted to the Board of Directors.

In 2019, the Early Detection of Risk Committee convened six times and provided the Board of Directors with risk assessment reports.

6.1. Audit Committee:

Director: Bülent GEDİKLİ – Independent Board Member - Non-Executive Member
Member: Osman KAHVECİ – Independent Board Member - Non-Executive Member

6.2. Corporate Governance Committee:

Director: Mehmet ERDOĞAN – Independent Board Member - Non-Executive Member
Member: Talat YILMAZ – Board Member - Non-Executive Member
Member: Murat YOLBULAN – Board Member - Non-Executive Member
Member: Hüseyin Çağrı GÜLEÇ – Board Member - Non-Executive Member
Member: Burcay YAVUZ – Investor Relations Manager

6.3. Early Detection of Risk Committee:

Director: Osman KAHVECİ – Independent Board Member - Non-Executive Member
Member: Hüseyin Çağrı GÜLEÇ – Board Member - Non-Executive Member
Member: Murat YOLBULAN – Board Member - Non-Executive Member
Member: Atilla Tamer ALPTEKİN – Board Member - Non-Executive Member

7. The Partnership's Capital Structure and Changes Made During the Period:

Our Company is subject to the Registered Capital System and the cap on the registered capital is 3.000.000.000 TL. Our issued capital is 1.140.000.000 TL.



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Our Company has three main shareholder groups and capital is distributed among these groups as follows:

Groups	Share Percentage (%)	Share Amount (TL)
A	21,08	240.303.646
B	10,48	119.470.352
D	68,44	780.226.002
Total	100	1.140.000.000

Table 7. Capital Structure

8. Securities Issued within the Period:

No securities were issued during the period.

9. Amendments to the Articles of Association during the Period:

No amendments were made to the Articles of Association during the given period.

10. General Information on Affiliates and Subsidiaries:

Affiliates and Subsidiaries	Share	Paid Capital
	(%)	(TL)
Enbatı Elektrik Üretim Sanayi ve Ticaret A.Ş.	100,00	200.000.000
Karçel Karabük Çelik Yapı İmalat Montaj İnşaat Nakliyat San. ve Tic. A.Ş.	99,99	152.620.533
Kardökmak Kardemir Döküm Makina Sanayi Ve Ticaret A.Ş.	99,99	150.000.000
Kardemir Sigorta Aracılık Hizmetleri Ltd. Şti.	95,00	70.000
Karçimsa Çimento Sanayi ve Ticaret A.Ş.	48,99	1.400.000
Voestalpine Kardemir Demiryolu Sistemleri Sanayi ve Ticaret A.Ş.	25,06	17.595.000
Karabük Üniversitesi Teknoloji Geliştirme Bölgesi Yönetici A.Ş.	20,00	5.000.000
Erdemir Madencilik Sanayi ve Tic. A.Ş.	10,00	120.000.000
Enerji Piyasaları İşletme A.Ş.	0,67	61.572.770

Table 8. Affiliates and Subsidiaries

11. Profit Share Distribution Policy:

Our profit share policy is as follows.

“Kardemir Karabük Demir Çelik Sanayi ve Tic. A.Ş.’s profit distribution is regulated under Article 18 of the Articles of Association, titled ‘Profit Distribution, Payment Period, and Method’.

In determining the percentage of the Net Distributable Period Profit to be distributed in cash and/or as free shares to our shareholders as calculated according to the legislation in force and the method described in the above-mentioned article of the Articles of Association, the Company aims to distribute the profit share in accordance with both the Corporate Governance principles and the minimum distribution requirements of the Capital Markets Board. However, during periods of high investment expenditures in line with the Company’s growth strategy, the financial burdens of these expenditures



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are taken into account in profit distribution. The Board of Directors strives to balance shareholders' expectations of profit distribution and the Company's financial balances.

As stated above, the Company complies with all Capital Markets Board regulations in calculating and distributing profits. Profit is distributed within the legal periods and all matters related to profit distribution are presented to shareholders at the General Meeting.”

At the Ordinary General Meeting held on 02.04.2019 regarding the activities of our Company in 2018:

A decision was made to allocate a total of TL 300,000,000 cash as the first dividend to shareholders and to distribute this amount on the basis of 26.316% dividend per 1 TL nominal value share in two installments to be paid by the end of June 2019 and the end of November 2019; the Board of Directors decided to pay the first installment as gross TL 150,000,000 on 26.06.2019 and the second installment as gross TL 150,000,000 on 27.11.2019.

Within this scope, the first installment of the cash profit distribution began to be paid to our shareholders on 26.06.2019 and the second installment of the cash profit distribution began to be paid on 27.11.2019 and both were completed.



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12. Summarized Balance Sheet and Financial Statement

12.1. Summarized Balance Sheet

	Audited	
	Current Period	Previous Period
	31.12.2019	31.12.2018
Liquid Assets	3.332.149.150	2.913.800.401
Fixed Assets	5.693.929.674	5.318.966.818
Total Assets	9.026.078.824	8.232.767.219
Short-Term Liabilities	3.153.937.096	2.105.625.393
Long-Term Liabilities	1.991.259.013	2.040.026.035
Shareholder's Equity	3.880.882.715	4.087.115.791
Total Liabilities	9.026.078.824	8.232.767.219

Table 9. Summarized Balance Sheet

12.2. Summarized Financial Statement

	Audited		Audited	
	Current Period		Previous Period	
	01.01.2019 31.12.2019		01.01.2018 31.12.2018	
Sales Revenues	6.076.355.980	%	5.582.800.586	%
Gross Profit	547.661.836	9,0%	1.708.681.789	30,6%
Operating Profit	247.262.380	4,1%	1.632.956.078	29,2%
EBITDA	665.951.770	11,0%	1.777.877.069	31,8%
Net Consolidated Period Income	80.645.069	1,3%	814.259.158	14,6%
Parent Company's Net Period Income	80.645.302	1,3%	814.484.550	14,6%

Table 10. Summarized Financial Statement



13. Production Activities

13.1. Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş. Production Amounts (Tons)

Production Type	01.01.2019 31.12.2019	01.01.2018 31.12.2018
	Tons	Tons
Coke + Coke Dust	1.170.000	1.136.000
Sinter	2.535.476	2.916.340
Liquid Raw Iron	2.063.460	2.185.070
Liquid Steel	2.304.870	2.412.744
Raw Steel	2.240.743	2.368.262
Net Product	2.183.734	2.314.794

13.2. Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş. and Subsidiary Production Amounts

Karçel Kardemir Çelik Yapı İmalat Sanayi ve Ticaret A.Ş.

Products	01.01.2019 31.12.2019	01.01.2018 31.12.2018
	Steel Construction (Tons)	12.800

Table 12. Production Amounts

Kardökmak Kardemir Döküm Makina Sanayi Ve Ticaret A.Ş.

Products	01.01.2019 31.12.2019	01.01.2018 31.12.2018
	Casting (Tons)	3.576
Machining (Tons)	2.084	2.192

Table 13. Production Amounts

Enbatı Elektrik Üretim Sanayi ve Ticaret A.Ş.

Products	01.01.2019 31.12.2019	01.01.2018 31.12.2018
	Electric Power (Mwh)	55.437

Table 14. Production Amounts



14. Information on Comparative Capacity Utilization

14.1. Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş.

Products	Capacity	Capacity Utilization Rate	Capacity Utilization Rate
	Tons	%	%
		01.01.2019 31.12.2019	01.01.2018 31.12.2018
Coke Furnaces Coke + Coke Dust	1.170.000	100,00%	97,09%
Sinter and Blast Furnaces Sinter Liquid Raw Iron Pig	3.750.000 3.000.000 550.000	67,61% 68,78% 4,86%	77,77% 72,84% 7,19%
Steel Mill Liquid Steel	3.500.000	65,85%	68,94%
Continuous Castings Continuous Casting Machine #1 Continuous Casting Machine #2 Continuous Casting Machine #3	2.850.000 1.100.000 500.000 1.250.000	77,01% 85,79% 76,36% 69,54%	83,10% 92,02% 86,95% 73,71%
Rolling Mills Rail Profile Rolling Mill Continuous Rolling Mill Bar and Coil Rolling Mill	1.981.600 450.000 700.000 831.600	63,01% 90,56% 63,69% 47,53%	66,04% 92,00% 75,78% 43,81%

Table 15. Capacity Utilization

14.2. Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş. Subsidiaries:

Karçel Kardemir Çelik Yapı İmalat Sanayi ve Ticaret A.Ş.

Products	Capacity	Capacity Utilization Rate	Capacity Utilization Rate
	(Tons)	(%)	(%)
		01.01.2019	01.01.2018
		31.12.2019	31.12.2018
Steel Construction	7.896	162,11%	92,45%

Table 16. Capacity Utilization

KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.



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Kardökmak Kardemir Döküm Makina Sanayi ve Ticaret A.Ş.

Products	Capacity (Tons)	Capacity Utilization Rate (%)	
		01.01.2019	01.01.2018
		31.12.2019	31.12.2018
Casting	7.644	46,78%	49,54%
Machining	6.156	33,85%	37,26%

Table 17. Capacity Utilization

Enbatı Elektrik Üretim Sanayi ve Ticaret A.Ş.

Products	Capacity (Mwh)	Capacity Utilization Rate (%)	
		01.01.2019	01.01.2018
		31.12.2019	31.12.2018
Electric Power	83.540	66,36%	46,06%

Table 18. Capacity Utilization

15. Sales Activities:

15.1. Product-Based Sales Amounts and Revenues of Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş.

Products	01.01.2019 31.12.2019		01.01.2018 31.12.2018	
	Tons	TL	Tons	TL
Total		5.956.597.302		5.547.113.999
Main Products	2.242.659	5.874.091.892	2.198.974	5.468.569.307
Pig	18.977	38.539.967	35.232	58.306.293
Raw Steel	959.390	2.332.609.986	924.674	2.162.848.974
Rolled Steel	1.264.293	3.502.941.939	1.239.067	3.247.414.039
By-Products		48.950.367		56.921.235
Other		33.555.043		21.623.457

Table 19. Quantity and Sales Totals

15.2. Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş. Subsidiaries:

Karçel Kardemir Çelik Yapı İmalat Sanayi ve Ticaret A.Ş.

Products	01.01.2019 31.12.2019		01.01.2018 31.12.2018	
	Tons	TL	Tons	TL
Steel Construction	12.800	90.308.219	7.300	45.465.678

Table 20. Quantity and Sales Totals



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Kardökmak Kardemir Döküm Makina Sanayi Ve Ticaret A.Ş.

Products	01.01.2019 31.12.2019		01.01.2018 31.12.2018	
	Tons	TL	Tons	TL
Casting – Machining	5.660	46.083.983	6.081	35.875.123
Project		43.647.681		2.927.082

Table 21. Quantity and Sales Totals

Enbatı Elektrik Üretim Sanayi ve Ticaret A.Ş.

Products	01.01.2019 31.12.2019		01.01.2018 31.12.2018	
	Mwh	TL	Mwh	TL
Electric Power	54.036	22.977.768	38.240	12.374.198

Table 22. Quantity and Sales Totals

Consolidated Sales Revenue

	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Sales Revenue Grand Total	6.159.614.953	5.643.756.081
Elimination	(83.258.973)	(60.955.495)
Consolidated Sales Revenue	6.076.355.980	5.582.800.586

Table 23. Quantity and Sales Totals

16. Human Resources Activities

16.1. Number of Personnel:

The average number of personnel working as of January 1 – December 31, 2019 and January 1 – December 31, 2018 was as follows:

COMPANY NAME	White Collar		Blue Collar		Total	
	2019	2018	2019	2018	2019	2018
Kardemir	877	835	3.205	3.241	4.082	4.076
Karçel	21	19	185	126	206	145
Kardökmak	36	34	123	47	159	81
Enbatı	14	13	-	1	14	14
Total	948	901	3.513	3.415	4.461	4.316

Table 24. Number of Personnel



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16.2. Collective Labor Agreement:

Negotiations for the 14th Collective Labor Agreement between our Company and the Özçelik-Labor Union started on 24.01.2019 and the agreement was signed on 19.03.2019. The 14th Collective Labor Agreement entered into force to be valid from 01.01.2019 until 31.12.2020.

Within the scope of this agreement:

A decision was made to increase the hourly wages of the included personnel as follows:

By CPI increase rate + 1 (one) point in the second six months of 2020 (To be actualized between 01.01.2020- 30.06.2020).

By 13,19% in the first six months of 2019 and 5,01% in the second six months as of 01.07.2019 and 6,50% in the first six months of 2020 as of 01.01.2020.

16.3. Severance Pay Obligation Status:

Our Company's employees are subject to the provisions of Labor Law No. 4857. Provided that an employee has completed one year of service, an employee of the Company is paid severance for every year of service (including the remaining months of the year of service) in cases of dismissal for no reason, qualification for retirement, marriage (for women employees only), a call for military service, or death, all within the upper limits as set forth in the Labor Law.

16.4. Rights and Benefits Provided to Company's Employees:

The rights and benefits for hourly paid workers with in-scope status are determined in accordance with the provisions of the Collective Labor Agreement.

The wages and social rights of personnel who receive monthly wages with out-of-scope status are determined by a Board of Directors Decision.

17. Donations and Social Responsibility Projects:

According to Agenda Item No. 11 of the Ordinary General Meeting held on 02.04.2019, the cap for charitable contributions is determined as 7.000.000 TL.

Within this context, the total amount of charitable contributions made by the Company between 01.01.2019 – 31.12.2019 was **5.356.685 TL**.



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18. Investments:

In total, **595.048.824 TL** was invested between January 1 – December 31, 2019 and **73.837.157 TL** of this amount was invested in the environment.

The details of ongoing investments and R&D expenditures in this period are as follows:

Item No	Investments
1	Steel Plant Converters Capacity Increase
2	Case Hardened Rail Production Line
3	Installation of Continuous Measurement Systems for Flues
4	Shared Backup Blast Furnace Blower for Power Plants No. 1 and No. 4
5	Additional Casting System for 3. Continuous Casting Machine - Electrical Costs
6	Railway Wheel Production Plant
7	Air Separation Plant No. 4
8	Blast Furnaces Gas Lines
9	Steel Mill Mine Transfer Pit
10	Charging Hall Modernization (Steel Mill 185-Ton Crane)
11	Converter-2 Capacity Increase (Steel Mill Converter Change)
12	Steel Mill Pot Furnace
13	Biological Treatment Plant Modernization
14	Blast Furnace Dust Collection System
15	Design, Manufacture, and Installation of Cross Bar Apron and Roller Guide
16	Blast Furnace Gas Holder
17	Mechanical Decanter Production
18	Sinter Plant Dust Collection
19	Sinter Plants-Meros Project
20	Steel Mill Quality Control and Chief Engineers' Building – Buildings
21	BOF-Mine Pit, Dust Collection System
22	Wagon Tracking Job Division Building
23	Furnace Recuperator
24	30 MW Turbine Generator
25	4 Blast Furnace Re-Line
26	Pot Furnace Power Transformer
27	Continuous Rolling Mill Packaging Plant S5 PLC Attaching Machine
28	Central Goods Warehouse Transformer Room 3.3KW (Yg) Installation and Energy Line
29	Cast House Modernization
30	Merim Revision + Enhancement of TRT System
31	Converter 3 Capacity Increase
32	Continuous Casting Machine-4
33	Back-up of Camera Recordings by Protection & Security Directorate
34	Offsite Station Spare Installation
35	Og Heat Exchanger Spare for Converter No. 1 and 2
36	Wi-Fi System Renewal
37	Reclaimer-3 Auto Oil Systems
38	Lighting System for Blending Fields No. 3-4
39	Hole Bunker Adjustable Speed Feed
40	Continuous Casting Machine-2 Max Central Hydraulic Revision

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41	Micronized Lime Material Transmission Line
42	425-Ton Capacity Lime Plant
43	2-3-4 Line Software Yogawa R6 Upg, Elec-Auto
44	No.4 Line Camera Surveillance System Elec. Auto
45	Engineers Club Building Restoration
46	Railway Route Improvement
47	Semi Product-Finished Stock Halls
48	Refectory – Kitchen Modernization
49	Single Girder Overhead Crane, Crane Exp.
50	Environmental Planning of the Plant Exit Road
51	Central Wastewater Treatment Plant 2nd Stage is Completed
52	Tundish Production, Machines
53	Sinter Threshing Line Closed Treatment Plant
54	Yenişehir-Çamlık Transformer Room Modernization – Electric
55	Lorry-Articulated Lorry Terminal Parking Lot Modification Platform
56	No 3 Reclaimer Machine Modernization
57	CCTV System Improvement, Electric
58	Construction of Scrap Yard, Warehouse Area
59	Construction of Grease Lubrication Line for Rear Furnace Region
60	Site Concreting
61	Building Above-Ground Bridge for Air Separation Plant
62	Level-1 System Modification Electric
63	Renewal of Document Management System, Study Program
64	Construction of Drainage Channels, Study Project Expenses
65	Installation of Overhead Power Line between Switching Station and Steel Rolling Mill
66	Çatalağzı Ramp Loading Site Articulated Lorry Wheel Washing Station
67	Sinter Plants ESP System Modernization
68	Blast Furnaces-2 Disassembly and Field Preparation Work
69	Crane Magnet Capacity Increase, Electric
69	Air Separation Plant No. 2 Engine Spare
70	Scrubber
71	Blast Furnace No. 6 (with 1.000.000 Tons/Year capacity)
72	34,5-10.5 Kw Transformer System, Electric
73	Lime Elevator Unit
74	Cable Channels Fire Detection And Extinguishing System
75	SAP S/4Hana
76	R&D Projects

Table 25. Investments and R&D Projects between January 1 – December 31, 2019.

**ACTIVITY REPORT OF THE BOARD OF DIRECTORS PREPARED IN ACCORDANCE WITH COMMUNIQUE SERIAL NO. II. – 14.1****18.1. Investment Incentive Table:**

The Strategic Investment Incentive Certificate details regarding the Railway Wheel Production Plant and its total expenditures are as follows:

Incentive Number	Start Date of Investment	Investment Type	Investment Incentive Certificate Amount (TL)	Total Investment Contribution Amount (TL)	Investment Contribution Rate (%)	Tax Reduction Rate (%)	Total Investment Expenditure Amount (TL)
116547	29.04.2014	Integration - Strategic	691.894.644	386.516.979	50 /65	90 /100	770.986.765

Table 26. Investment Incentive Table

(*) Expenditures related to the Investment Incentive Certificate are presented according to Tax Procedure Law (TPL) data.

As per Council of Ministers Resolution number 2012/3305 published in the Official Gazette No. 28328 dated 19.06.2012, Strategic Investment Incentive Certificate No. A116547 dated 27.10.2014 was issued by the Ministry of Industry and Technology following an evaluation regarding our “Railway Wheel Production Plant” investment. The incentive certificate issued was first revised on 07.01.2019, increasing the cost to 466,000,000 TL, then on 03.05.2019, increasing it to 691,894,644 TL thereby completing the incentive certificate's visa transactions.

19. Statements Regarding Any Important Administrative Sanctions or Penalties Issued to Members of the Company and the Board due to Practices Contrary to Legislation:

None.

20. Information on Legislative Amendments that may Significantly Affect Company Activities:

None.

21. Information on Important Lawsuits against the Company and Possible Results:

In 2019, there were no outstanding lawsuits against the Company that could affect the Company’s financial position and activities.

22. Information on Conflicts of Interest between the Company and Organizations from which the Company Purchases Investment Consulting Services and Ratings, and Company Measures to Prevent such Conflicts:

None.



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23. Research and Development Activities:

Established in April 2019 by resolution of the Board of Directors, the R&D Center is comprised of five different units:

1. Raw Material and Iron Production
2. Steel Production and Casting Technologies
3. Rolling Processes
4. Innovation Projects
5. Intellectual Rights and Documentation

With the goal of developing new high value added products Kardemir can produce and manufacture as well as engineering materials currently imported due to market demand, the R&D Center operates on an area of approximately 1000 m².

Currently, the R&D Center consists of 19 people: 2 master's degree holders, 3 PhD and 5 master's degree candidates, 8 undergraduate degree holders and 1 associate degree holder. It presents projects to the Ministry of Industry and Technology and cooperates with the defense and railway industries, and also particularly with automotive industry firms that are at the level of global production centers. Within this scope, test production has been completed for the sectors and qualities below:

- Automotive industry: Connection elements (17MnB3, 20MnB4, 23MnB4, 27MnB4, 30MnB4, 1006, C10C, 41Cr4), suspension spring (54SiCr6), side wires in tires and tire cords (1070, 1073, 1075, 1080) and welding wire (S1, S2, SG2, SG3) qualities,
- Railway industry: Connection elements (38Si7), flanged rail types (60R1, 60R2), GOST norm rail type (P65) and other wheel types (BA318, BA004),
- Construction industry: PC Wire (1082PC), ribbed coil (B420C) and H profile types (HEA – HEB 320, HEA – HEB 340, HEA – HEB 360),

The Kardemir R&D Center cooperates with various public institutions, private organizations and universities:

- Public Institutions: Ministry of Industry and Technology Directorate General for R&D Incentives, Department of Industry Cooperation Programs, Presidency of Defense Industries, Department of R&D, Turkish Locomotive and Engine Company Inc. (TÜLOMSAŞ), Scientific and Technological Research Council of Turkey (TÜBİTAK), Turkish State Railways (TCDD) Railway Research and Training Center, Naval Shipyards Command,
- Industrial Associations: ARUS (Anatolian Rail Transportation Systems Cluster), Association of Vehicle, on-Vehicle Material and Heavy Equipment Producers (ARÜSDER), OSTİM (Middle East Industry and Trade Center) Technology Research and Development Center, TÇÜD (Turkish Steel Producers Association), ÇİB (Steel Exporters Union), UİB (Uludağ Exporters Union), BESİAD (Connection Elements Association), SAHA İstanbul (Defense and Aerospace Cluster Association),
- Universities: Karabük University, Yıldırım Beyazıt University, Ostim Technical University, Iskenderun Technical University, Niğde Halis Demir University, Eskişehir Osman Gazi University, Sakarya University, Kocaeli University, Muğla University and Maltepe University,
- Participation in nationally and internationally financed R&D projects: As part of HORIZON 2020, the company joined the EU project titled “Wheelset of the Future” for the railway sector and was granted the “TÜBİTAK (Scientific and Technological Research Council of Turkey) Above-Threshold Award”. For the period of 2020-2027, the company will also take part in the EU Horizon Project to develop light, low noise, and low-cost maintenance train wheels as one of the 15-partner “Turkey consortium”.



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The R&D Center prioritizes work on new product ranges, process improvements, and increasing efficiency as determined by the master's and doctoral theses of the personnel working at Kardemir.

Important reports were prepared during the September-December 2019 period: Recycling Factory Emitted Fine Dust Waste in the Sinter Blend after Enlarging their Size, Recycling Steel Plant OG Mud by Drying, Research on Recyclability of Magnetite in OG Mud as Nickel Absorber in Wastewater Treatment Systems, Research on the Recirculation of Sinter Gas and the Recyclability of Sinter Coolant Waste Heat, Improving Fuel Efficiency in Blast Furnace Stoves with Oxygen Enrichment, Recycling of Dry Slag Granulation in Blast Furnaces and Waste Heat of Blast Furnaces, Utilization of Waste Plastics (Polypropylene, Polystyrene, Polyethylene, etc.) in Blast Furnaces, Determination of Optimum Blending Properties of Coking Domestic and Import Coals, Recycling Factory Emitted Fine Dust Waste in the Sinter Blend after Enlarging their Size, Recycling Steel Plant OG Mud by Drying, Research on Recyclability of Magnetite in OG Mud as Nickel Absorber in Wastewater Treatment Systems, Research on Recirculation of Sinter Gas and Recyclability of Sinter Coolant Waste Heat, Improving Fuel Efficiency in Blast Furnace Stoves with Oxygen Enrichment, Recycling of Dry Slag Granulation in Blast Furnaces and Waste Heat of Blast Furnace, Utilization of Waste Plastics (Polypropylene, Polystyrene, Polyethylene, etc.) in Blast Furnaces, Determination of Optimum Blending Properties of Coking Domestic and Import Coals, Phosphorus Discharge in the Converter, Optimization Work in the Continuous Casting Machine, Sledge Selection for the Heating Furnace in the Continuous Rolling Mill, Determination of Scratch/Crack Sources Forming in the Rod Coil Rolling Mill, Efficient Sulphur Discharge in Liquid Raw Iron and Liquid Steel, Online Monitoring System in the Continuous Casting Machines to Prevent Errors in Semi-Finished Products, Root Cause Analysis and Solution Suggestions for Cork Cracks in Rail Production, Production of Sulphur and Lead Free-Cutting Steels, Follow-up Table for New Product and Qualities, Installation of Level-2 Bar and Coil Rolling Mill, Surface Discontinuities Analysis in Rails, Production of Glass by Using Granulated Slag in Blast Furnaces, New Products and Qualities Tested in 2019, Research on Energy Efficiency in Pumps and Fans, Analysis of Cementite Formation in Grain Boundaries in High Carbon Steels, Use of Oxide Fuels in Heating Furnaces, Analysis of Hardox Equivalent Wear Plates, Pre-stress Concrete Anchor Research Report, Research on Flameless Burner Use in Heating Furnaces.

In 2020, various projects are planned: “Refractor Measurement with Lasers, Updating Refractor Prescriptions, Phosphorus Discharge in Converters, Rapid Slag Analysis, Solidifying in Mold Optimization, Continuous Casting Machine Secondary Cooling Optimization Work, Online Determination of Error in Semi-Finished Products, RPH-Test Center UT Counter DHVC Cards Revision, Homogeneous Ore Blending Preparation Method, Phase Structures of Sinters (SFCA), Adaptability of Quenching and Self Tempering (QST) Processes in Profile Production, Manufacturability of Wide Flanged Profiles, Manufacturability of Steel Pile Profiles in the Construction Sector, Adaptation of the Frame System within the Scope of R&D for Collecting Innovation Projects”.

24. Information on Employees' Social Rights, Vocational Training, and other Socially and Environmentally Focused Company Activities:

Founded on April 3, 1947 as Turkey's first integrated iron and steel plant, Kardemir has led Turkey's industrial breakthroughs since its establishment. Kardemir has always considered socially responsible activities, which raise the quality of life for the society to which it belongs, as one of the most important elements in its business strategy. Kardemir strives to increase social welfare with projects it supports in the fields of education, culture, science, sports, the environment, and health.

After its privatization in 1995, Kardemir renewed its production technologies and increased its capacities to create a product range with high added-value, while simultaneously carrying out environmental, social and human-oriented investments.



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As one of Turkey’s largest industrial enterprises, Kardemir has continued its activities in line with its “Sustainable Growth” principles, while actively participating in various events and endeavoring to meet social expectations and needs.

In this context, our company supported the commemoration march organized by the Karabük Provincial Directorate of Youth and Sports for the Sarıkamış Martyrs on its 104th anniversary with the slogan, “Asım’s Generation in the March of the Century,” and Company employees participated in the march which started in the city forest and ended at the Dr. Necmettin Şeygoğlu Stadium.

The My +1 Friend event was organized for People with Down Syndrome by the Provincial Directorate of Youth and Sports in order to help young people recognize the humanistic, conscientious and spiritual values of the society they live in, with the aim of ensuring their active participation in all areas of social life, ensuring belongingness and citizenship awareness, keeping their productivity levels high, and promoting good relations with the elderly, disabled, children, and martyrs’ relatives. This event was also supported by our company.

Our Company supported the excursion to the historical region where the Çanakkale Wars took place, organized to reinforce unity and solidarity by members of the Retirees’ Associations of Karabük and Safranbolu and to promote national and sentimental values.

On the occasion of the 82nd anniversary of the foundation of our Company and Karabük, the Celebration Committee under the Karabük Governorship organized a ceremony at the City Square Atatürk Memorial, which our employees participated in. Students who had won poetry, composition, and graphic design competitions organized by the Karabük Directorate of National Education, as well as athletic competitions and other sports competitions organized during the year by the Provincial Directorate of Youth and Sports were granted awards by our company.

Again, on the occasion of the 82nd anniversary of the foundation of our Company and Karabük, the Karabük Public Education Center exhibited local Artvin folk dance performances, while students of Safranbolu Fine Arts High School took the stage at the Youth Concert organized for this occasion and people from Karabük had an unforgettable night with their beautiful songs.

On the occasion of the 82nd anniversary of the foundation of our Company and Karabük, our Company also contributed to the organization of the “4th International Iron and Steel Symposium” at Karabük University. Lasting 3 days, the symposium hosted detailed discussions on developments in the sector, and our Company’s engineers contributed with their scientific reports.

Within the scope of the company’s 82nd anniversary celebrations, a photograph exhibition titled “Life at Kardemir, 24 Hours 7 Days” was held at our Company’s Training and Culture Center with the participation of Karabük’s protocol members. Photographs showing the production processes of our Company were presented to participants. In addition, the Karabük Turkish Music Society Association performed the 82nd Year Turkish Classical Music Concert.

A special program with local themes was organized in our dining halls for all our employees on the occasion of the 82nd anniversary of our company. In addition, our Kardemir Engineers Association employees organized a gala dinner on April 3.

Kardemir participated and contributed to the 10th Energy Efficiency Forum and Fair organized at the Istanbul Lütfi Kırdar International Congress and Exhibition Centre on April 11-12, 2019, and the Marmara Group’s 22nd Eurasian Economic Summit organized by the Strategic and Social Research Foundation in Istanbul on 6-7 February, 2019 which focused on Technology, the Future of Humanity, New Dimensions of Globalization, the Role of Artificial Intelligence in Energy and the Economy, Water Resources, and Migration.



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In the “Istinyeli Awards” as determined by Istinye University student votes, our company was selected as the first among the companies in the Heavy Industry category and our award was presented at the ceremony held on April 12, 2019 at Istinye University's Topkapı Campus.

May 4-10 Occupational Health and Safety Week was celebrated with different activities this year as every year. During this week, a slogan contest on OHS was organized in our company and the winners were awarded at a ceremony held at the Education Culture Center. Special Education students performed special shows and piano concerts in our company's Education Culture Center as part of the celebrations during the week. In addition, emergency drills were organized and presentations on accidents were made in order to increase our employees' awareness about occupational accidents.

Saplings were distributed as festive gifts to all our employees for World Environment Day on June 5 at the collective festive ceremony held at the factory for the Ramadan Feast.

On the occasion of the 15th of July, Democracy and National Unity Day, we participated in the activities held under the leadership of the Governorship of Karabük together with our senior management and employees, and the activities were supported by our company.

Our company provided support to the Burn Injury Treatment Unit which recently opened at the Karabük University Training and Research Hospital.

Our company signed a protocol with the Karabük Provincial Directorate of Youth and Sports to encourage children and young people in Karabük to do sports, spread sports culture, acquire lifelong sports habits, build the infrastructure of Karabük Amateur Sports Clubs, train athletes for our National Teams in individual and team sports, contribute to Karabük's reputation in national fields, and support our athletes as they represent our country at international sports contests.

Our Company made the decision to support the Construction Work of the “COVER COAT ON THE HAMAM” located in the archeological area of the Ancient City of Adrianopolis within Karabük's Eskipazar district and a protocol was signed with the Karabük Special Provincial Administration.

Our Company has also provided support to Photo Safari events in the district organized to promote Yenice and its forests.

Organized by the Turkish Red Crescent and the Young Karabük Organization, the Ideathon (Idea Marathon) Project to give young people a global perspective, encourage them to generate ideas and produce projects on the Environment, Health, Climate Change, Crisis Management, Natural Disasters, Sustainable Development, and Migration within the scope of the Red Crescent 2030 strategy was supported by our company.

Our company supported the Wheelchair campaign started by the Turkish Handicapped Association Karabük Branch for those in need.

Furthermore, our company supported the 20th Golden Saffron Documentary Film Festival actualized by the Safranbolu Municipality on September 25-28, 2019 to carry the cultural values of Safranbolu and the entire country to the future in the light of the “Cultural Heritage and Protectionism” theme.

Within the scope of University-Industry cooperation, our company supports the activities of Karabük University.

Our company provided the garage needed by the Type T Open Penitentiary Institution and Ovacık Open Penitentiary Institution operating under the Directorate of Karabük Type T Closed Penitentiary Institution within the scope of its corporate social responsibility. Our company commissioned the construction of the entrance gates of Ovacık District as well. Educational activities by the Provincial Representative of Turkey Youth Foundation operating in the fields of education, culture, arts, youth, and sports as well as Fellow Citizens of Karabük Foundation were supported.



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Training activities are ongoing in order to increase our employees' knowledge and competencies.

In 2019, face-to-face trainings were provided for 397 different topics and the average training time per person reached 44.27 hours.

Within the scope of legal obligations, training was provided under 3 headings during the year, while another set of lifelong trainings were provided under 6 other headings. In addition, vocational and technical trainings were organized under 28 subject headings, while 27 unit trainings were provided under 286 subject headings.

Within the scope of the IRIS and IATF certifications project, 10 different trainings were organized. Totally 1822 personnel received 12.059 hours of training.

6 trainings were provided under 2 subject headings as part of the Personal Data Protection Law project.

In the last quarter of 2019, we provided 730 out-of-scope personnel distant trainings under 6 subject headings in order to increase their basic competencies.

1314 people were certified after the Bridge Crane Examinations given by Hak-İş, the authorized institution of the Central Executive Board, while 76 personnel were also certified in the fields of roll forming, forklift operating, and medical industrial gases with the coordination of the Ministry of National Education.

Board Decision No. 2012/228 issued on 28.09.2012 was issued to support our personnel who have only completed primary school, to help them continue their education via Distance Education Secondary and High Schools in order to increase the level of education at our Company. As of the first semester of 2019 – 2020, 55 personnel are registered with Distance Education Institutions.

To contribute to our company, employees are provided with opportunities for post-graduate education and 75 employees who are continuing their education (Graduate + PhD) are supported in the selection of their thesis subjects according to our company's activities, thus contributing to university-industry collaboration.

Similarly, our company continues to support 45 employees in their education (Associate + Undergraduate) to contribute to their individual development as well as improving our business processes.

We have established Social Clubs in the fields of music, theatre, nature sports, travel, visual arts, dance, and sports in order to increase our employees' motivation and communication. The Music Club performs, and the Nature Sports and Travel Club have organized various events for our employees to participate in. The Visual Arts Club basic photography training was planned to be initiated in January 2020. And our other clubs continue their work in their areas of activity.

In 2019, 5 seminars were organized to contribute to employees' performances in their jobs and to ensure personal development in their areas of interest.

In order to bring together our company's retired personnel and encourage them to maintain their bond with our Company and other retired personnel, we held the "Kardemir's Sycamores 1st Fidelity Days" event with the participation of 282 retirees. The program started with the short film "*Çınarlardan Sesler/Voices of the Sycamores*", continued with plaque awards, and ended with a technical visit.



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“Rail Systems Careers and Education Days” was held with cooperation by RESTDER (Rail Systems Technologies Alumni Association) with the participation of 186 students from Karabük University, Eskipazar and Yenice Vocational Schools.

A 19 personnel team consisting of chief engineers, engineers and experts from 10 of our company directorates paid a technical visit to the Kocaeli Chamber of Mechanical Engineers Applied Training Center.

4 cooperation protocols have been signed with ODTÜ (Middle East Technical University), OSTİM Technical University, Karabük University and the Karabük Provincial Directorate for National Education to contribute to education, R&D, and national-international projects as part of university – industry cooperation.

Our 2019 – 2020 Period Skills Training Program has been restructured to consider the importance of vocational training and the new KARDEMİR Skills Training Program is now in use. 102 students from 6 regional schools who have met the criteria have started their internships in our company. In addition, 2 seminars were organized to contribute to students’ vocational and personal development: “Innovative Ideas for the Future” and “Be the Leader of your Life”.

2 Applications for short-term internships from 47 universities in Turkey were accepted for 2019 and 219 students (33% female) from 14 universities completed their internships at our company.

11 students from 3 universities who were accepted to the 2019 on-the-job training program completed their internship at our company on January 3, 2020.

To support our country’s efforts in national technology and to help create a society that produces technology, we highly value projects delivered by young people in the fields of the iron-steel industry, defense industry, automotive industry, renewable energy and the environment. In this vein, we have supported the rocket project of the Hazerfen Team, which ranked 7th at the final of the TEKNOFEST contest.

In this line, we revised our technical field trips program corporate indicators and the company’s reputation management and hosted 1059 people from 44 different visiting groups consisting of university/vocational high school clubs, students, and lecturers from different institutions/organizations. Through this, participants got the chance to become acquainted with our company’s production line to contribute to their own professional and technical development.

As per the Environment Permit/License Regulation, we planned and started 3rd Stage Environment Investments amounting nearly \$50 million following the Conformity Letter application to the Provincial Directorate on 21.02.2019 according to environmental auditing results.

Our company started to provide Environmental Training on 27.02.2019 in order to raise environmental awareness in our Company. 3967 employees received Environmental Training during the year. In addition, an “Environmental Activities Information Handbook” was printed and distributed to all employees in order to raise environmental awareness.

As per the Communiqué on Continuous Emissions Measurement Systems, the transfer of emission data of 11 flues to the web address emisyonizleme.gov.tr started on 01.03.2019, where it was subject to Ministry of Environment and Urbanization systems' annual validity tests at accredited laboratories. The Annual Validity Test Report was sent to the Provincial Directorate of Environment and Urbanization. After analysis, authorities from the Provincial Directorate submitted the results of the Annual Validity



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Test Report to the Ministry of Environment and Urbanization, Directorate General of Environmental Impact Assessment, Permit and Inspection.

The Continuous Wastewater Monitoring system, where waste-water data is transferred online to the Ministry of Environment and Urbanization, has been subjected to the Integrated Comparison Test under the supervision of the Provincial Directorate of Environment and Urbanization. The test results have been reported to the Provincial Directorate of Environment and Urbanization.

Our company has joined the Zero Waste Project started by the Ministry of Environment and Urbanization in order to take waste under control and leave a clean and developed Turkey and planet to future generations under the principles of sustainable development. In this context, we have been periodically delivering the necessary notifications to the Integrated Information System after registering with the Zero Waste Information System.

For visual improvement work, painting was completed on the Coke 3-4 Battery, Coke 5-6 Battery, and Coal Receiving Hoppers. We planted 500 trees along the Karabük-Ankara highway. In addition, we planted 100 trees in the personnel parking lot. Painting of the emergency water tanks on the premises was completed.

Our company completed its 2nd stage and 1st step of investments for the Improvement of the Central Wastewater Treatment Plant and opened the center on 26.12.2019.

Regarding the quarterly Environmental Reports for loans obtained from KFW Bank for the Rod Coil Rolling Mill investment, Rail Wheel Production Plant, and converter No. 3, we prepared the Q3 period (July, August, September) report and sent it to the bank.

With the purpose of increasing environmental awareness, brochures prepared by the Ministry of Environment and Urbanization on the “Zero Waste Project” were distributed to the business units.

An “Environmental Performance Indicators Report” has been prepared for the Kardemir website and it is updated every month.

25. Information on Transactions Made by Board Members on their behalf or on behalf of Others with the Company and their Activities within the Scope of Prohibition of Competition:

In our company's Ordinary Meeting of the General Assembly held on 02.04.2019, Board Members were given the necessary transaction approvals with reference to Articles No. 395 and 396 of the Turkish Commercial Code.

26. Information on our Company's Sales Policy:

Our company grants its customers the right to buy registered products in quarterly periods. In order to exercise the right to buy registered products, a list specifying the users granted the right to buy registered products is declared every year four times: January – March, April - June, July - September and October – December according to the annual production schedule. This list and other announcements are shared on our Company's website and KAP (Public Disclosure Platform) for the information of all our partners and those who wish to buy registered products. Accordingly, information with regard to companies entitled to the right of registered purchases for the period of October – December 2019 is as follows:

(*) According to our sales procedure announced on 19.08.2011, the right to buy registered products, which is applied for the partners of Kardemir at the rate of 40% of product-based daily production, was reduced to %30 as per the new sales procedure announced on 01.01.2018 on condition that the other terms will remain the same.

KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.



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COMPANIES WITH PURCHASE CONTRACTS FOR THE OCTOBER-NOVEMBER-DECEMBER 2019 PERIOD WITH REFERENCE TO THE 19.08.2011 SALES ANNOUNCEMENT							
COMPANY NAME	NUMBER OF SHARES (LOTS)	TYPE OF MATERIAL	CURRENCY	MATERIAL UNIT PRICE (EXCLUDING VAT)	ORDER AMOUNT (TONS)	REQUESTED 30% CONTRACT TONNAGE	CONTRACT TONNAGE DELIVERED
YOLBULAN	40.000.000 LOTS	BILLET	TL	2.247,00	67		
		BILLET	TL	2.277,00	8.546		
		BILLET	TL	2.307,00	132		
		BILLET	TL	2.330,00	1.329		
		BILLET	TL	2.360,00	6.780		
		BILLET	TL	2.367,00	1.053		
		BILLET	TL	2.390,00	454		
		BILLET	TL	2.430,00	328		
		BILLET	TL	2.450,00	874		
		BILLET	TL	2.467,00	192		
		BILLET	TL	2.550,00	239		
BILLET TOTAL					19.994	20.000	14.379
YOLBULAN	40.000.000 LOTS	ROUND	TL	2.295,00	52		
		ROUND	TL	2.338,00	1.522		
		ROUND	TL	2.365,00	5.733		
		ROUND	TL	2.450,00	5.327		
		ROUND	TL	2.495,00	6.066		
ROUND TOTAL					18.701	9.000	7.659
ÇAĞÇELİK A.Ş.	46.000.000 LOTS	BILLET	TL	2.162,00	2.042		
		BILLET	TL	2.245,00	323		
		BILLET	TL	2.247,00	15.518		
		BILLET	TL	2.277,00	621		
		BILLET	TL	2.307,00	89		
		BILLET	TL	2.330,00	12.504		
		BILLET	TL	2.347,00	159		
		BILLET	TL	2.352,00	13		
		BILLET	TL	2.360,00	89		
		BILLET	TL	2.367,00	1.244		
		BILLET	TL	2.390,00	378		
		BILLET	TL	2.420,00	238		
		BILLET	TL	2.427,00	83		
		BILLET	TL	2.430,00	81		
		BILLET	TL	2.435,00	26		
BILLET	TL	2.450,00	1.281				
BILLET	TL	2.997,00	68				
BILLET TOTAL					34.755	20.000	20.000
TOPÇUĞİLLER LTD.ŞTİ	10.500.000 LOTS	BILLET	TL	2.247,00	3.455		
		BILLET	TL	2.277,00	206		
		BILLET	TL	2.322,00	1.038		
		BILLET	TL	2.330,00	4.125		
		BILLET	TL	2.347,00	354		
		BILLET	TL	2.360,00	83		
		BILLET	TL	2.367,00	2.170		
		BILLET	TL	2.405,00	656		
		BILLET	TL	2.430,00	150		
		BILLET	TL	2.450,00	1.985		
BILLET TOTAL					14.221	7.000	4.776
TOPÇUĞİLLER LTD.ŞTİ	10.500.000 LOTS	ROUND	TL	2.308,00	496		
		ROUND	TL	2.338,00	5		
		ROUND	TL	2.365,00	1.075		
		ROUND	TL	2.450,00	1.003		
		ROUND	TL	2.495,00	1.018		
ROUND TOTAL					3.598	1.000	1.000

KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.



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Lot No.	Lot Adı	Billet Türü	Para Birimi	TL	Adet	Toplam TL	Toplam Adet
MESCIER DÇ.SAN.A.Ş.	4.124.166 LOTS	BILLET	TL	2.162,00	355		
		BILLET	TL	2.245,00	356		
		BILLET	TL	2.247,00	12.232		
		BILLET	TL	2.277,00	1.086		
		BILLET	TL	2.330,00	8.282		
		BILLET	TL	2.332,00	48		
		BILLET	TL	2.347,00	667		
		BILLET	TL	2.352,00	161		
		BILLET	TL	2.360,00	298		
		BILLET	TL	2.367,00	333		
		BILLET	TL	2.412,00	5		
		BILLET	TL	2.415,00	13		
		BILLET	TL	2.427,00	61		
		BILLET	TL	2.430,00	582		
		BILLET	TL	2.435,00	171		
		BILLET	TL	2.450,00	268		
				BILLET	TL	2.475,00	29
		BILLET TOTAL			24.946	5.000	1.977
BOSKAY	3.375.043 LOTS	BILLET	TL	2.247,00	18.015		
		BILLET	TL	2.277,00	1.738		
		BILLET	TL	2.330,00	9.109		
		BILLET	TL	2.347,00	215		
		BILLET	TL	2.430,00	133		
		BILLET	TL	2.450,00	715		
		BILLET TOTAL			29.925	3.000	1.534
HAYRETTİN AYDIN	14.000.000 LOTS	BILLET	TL	2.247,00	722		
		BILLET	TL	2.330,00	1.011		
		BILLET	TL	2.367,00	3.269		
		BILLET	TL	2.450,00	2.039		
		BILLET TOTAL			7.042	6.000	5.043

Total Distributed Registered Round Billet:	8.689	Round Grand Total	22.298	10.000	8.689
Total Distributed Registered Billet:	47.709	Billet Grand Total	130.883	61.000	47.709
		Grand Total	153.181	71.000	56.398

Table 27. The Right to Purchase Registered Goods

27. Purchasing Activities -TL:

Kardemir						
Purchase Subject	31.12.2019			31.12.2018		
	Internal Purchase	External Purchase	Total	Internal Purchase	External Purchase	Total
Main Manufacturing and Production Raw Material	1.333.688.937	2.782.065.678	4.115.754.615	1.150.065.485	2.471.362.699	3.621.428.184
Auxiliary Raw Material	402.158.393	43.216.802	445.375.195	189.083.162	26.881.004	215.964.166
Operating Supplies	41.844.152	32.376.988	74.221.140	37.873.624	54.509.288	92.382.912
Spare Parts	103.157.293	41.173.897	144.331.190	94.459.647	24.601.666	119.061.313
Fixed Asset and Investment Material	62.868.739	31.559.232	94.427.971	54.795.692	9.873.963	64.669.655
Purchase of Investment and Contracting Services	313.300.917	157.487.362	470.788.279	259.930.240	100.783.419	360.713.659
Repair, Maintenance and Construction Products	218.620.898	59.841.730	278.462.628	187.659.622	45.460.485	233.120.107
Various Materials	27.417.155	732.673	28.149.828	18.672.263	1.662.347	20.334.610
Total	2.503.056.484	3.148.454.362	5.651.510.846	1.992.539.735	2.735.134.871	4.727.674.606

Table 28. Purchasing Activities



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Purchase Subject	31.12.2019				31.12.2018			
	Karçel	Kardökmak	Enbatı	Total	Karçel	Kardökmak	Enbatı	Total
Main Manufacturing and Production Raw Material	47.755.925	9.379.435	-	57.135.360	30.092.630	6.753.429	-	36.846.059
Secondary Manufacturing and Production Raw Material	-	145.497	45.261	190.758	-	88.660	48.577	137.237
Auxiliary Raw Material	3.841.137	166.631	-	4.007.768	1.860.000	79.678	-	1.939.678
Operating Supplies	204.456	1.335.402	-	1.539.858	137.684	1.019.217	-	1.156.901
Spare Parts	2.178.161	1.042.211	-	3.220.372	655.632	1.304.004	-	1.959.636
Repair, Maintenance and Construction Products	47.918	3.933.233	-	3.981.151	40.030	2.106.547	-	2.146.577
Various Materials	621.840	2.379.243	-	3.001.083	186.217	2.441.000	-	2.627.217
Fixed Asset and Investment Material	798.170	2.085.970	-	2.884.140	149.645	3.351.152	-	3.500.797
Total	55.447.607	20.467.622	45.261	75.960.490	33.121.838	17.143.687	48.577	50.314.102

Table 29. Purchasing Activities

28. Internal Control System and Internal Auditing Operations:

The Internal Audit Directorate operates directly under the Board of Directors for objective and independent evaluation and development of our Company's business and transactions.

By the 2019 amendment, Mr. Mehmet Abanoz was appointed Internal Audit Director and has been serving in this position since 16.07.2019.

As per the Board of Directors resolutions in 2019, and as part of the business plan which included assignments, the Internal Audit Directorate prepared reports regarding our Company's production, management, and quality processes.

In addition to this, the Board of Directors assesses the efficiency of the internal audit system. The Internal Audit Directorate regularly provides information on internal audit activities to the Audit Committee.

11 reports in total were submitted to our Board of Directors in 2019.

29. Risk Management:

An Early Risk Detection Committee was established from among our Board of Directors Members and studies were carried out to determine risks that may affect the existence, development, and continuity of the Company, to work on management, and to apply any necessary preventive measures for the risks determined.

In 2019, 6 Corporate Risk Reports prepared by the EDRC were submitted to our Board of Directors.



**ACTIVITY REPORT OF THE BOARD OF DIRECTORS PREPARED IN
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30. Information and Evaluation on Whether the Set Targets of the Previous Period were Achieved, Whether the General Assembly Resolutions Were Implemented, and If not, the Reasons for Non-Implementation:

The Ordinary Meeting of the General Assembly regarding the year 2018 was conducted on 02.04.2019, and the quorum was 25.75%. The decisions made at the meeting were applied.

The Board of Directors evaluates whether our Company has achieved its determined objectives, and to review and analyze detailed reports on operation results and the performance of our company at periodic meetings.



**ACTIVITY REPORT OF THE BOARD OF DIRECTORS PREPARED IN
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APPENDIX-1

INDEPENDENCE STATEMENTS OF INDEPENDENT BOARD MEMBERS

**TO KARDEMİR A.Ş. BOARD OF DIRECTORS NOMINATION COMMITTEE
PRESIDENCY,**

I declare that I meet the Independent Board members criteria, which are included in “Corporate Governance Communiqué” no. II-17.1, published on January 3, 2014 by the Capital Markets Board. (03.10.2017)

Yours sincerely,

Ömer Faruk ÖZ
Signature

**TO KARDEMİR A.Ş. BOARD OF DIRECTORS NOMINATION COMMITTEE
PRESIDENCY,**

I declare that I meet the Independent Board members criteria, which are included in “Corporate Governance Communiqué” no. II-17.1, published on January 3, 2014 by the Capital Markets Board. (03.10.2017)

Yours sincerely,

Bülent GEDİKLİ
Signature

TO KARDEMİR A.Ş. BOARD OF DIRECTORS NOMINATION COMMITTEE PRESIDENCY,

I declare that I meet the Independent Board members criteria, which are included in “Corporate Governance Communiqué” no. II-17.1, published on January 3, 2014 by the Capital Markets Board. (03.10.2017)

Yours sincerely,

Mehmet ERDOĞAN
Signature

TO KARDEMİR A.Ş. BOARD OF DIRECTORS NOMINATION COMMITTEE PRESIDENCY,

I declare that I meet the Independent Board members criteria, which are included in “Corporate Governance Communiqué” no. II-17.1, published on 03.01.2014 by the Capital Markets Board. (03.10.2018)

Yours sincerely,

Osman KAHVECİ
Signature



**ACTIVITY REPORT OF THE BOARD OF DIRECTORS PREPARED IN
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CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

As Turkey's first integrated iron and steel plant, our company, whose foundation was laid on April 3, 1937, is aware of the benefits and importance of Corporate Governance Principles for companies and the entire capital market.

In this context, our company has complied with all of the mandatory principles specified in Corporate Governance Communiqué no. II-17.1 of the Capital Markets Board.

Utmost care is shown to comply with the non-mandatory Corporate Governance Principles. However, full compliance has not yet been achieved for several reasons such as the difficulty of applying some of the principles as well as the lack of overlap of some of the principles with the market and the current structure of the company. We continue to work on the principles that have not yet been implemented. Implementation is scheduled to begin upon completion of the administrative, legal, and technical infrastructure operations.

Compliance and non-compliance to the corporate governance principles attached to the Corporate Governance Communiqué regarding the operating period which ended on December 31, 2019 are elaborated on in the activity report, Corporate Governance Compliance Report ("CGCR"), Corporate Governance Information Form ("CGIF") and other relevant sections of the report.



Corporate Governance Compliance Report	Compliance Status					
	Yes	Partially	No	Exempt	Irrelevant	Explanation
1.1. MAKING IT EASIER FOR SHAREHOLDERS TO EXERCISE THEIR RIGHTS						
1.1.2 – Explanations on current information that may affect how shareholders use their rights are available for investors on the company's corporate website.	X					
1.2. RIGHT TO OBTAIN AND VIEW INFORMATION						
1.2.1- Company management has refrained from performing transactions that make special audits difficult to conduct.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures that the General Assembly agenda is clearly stated, and each proposal is submitted under a separate title.	X					
1.3.7 - People granted access to partnership information have informed the Board of Directors about transactions they made on behalf of themselves within the context of partnership operations in order for them to be included on the agenda of the General Assembly.	X					
1.3.8 - In regards to the topics on the agenda: Board of Directors members, other relevant people, officials and the auditors responsible for preparing financial statements are present at the General Assembly.	X					
1.3.10- The General Assembly agenda includes a separate article containing all donation amounts and aid given and their beneficiaries.	X					
1.3.11 - The General Assembly was open to the public, including stakeholders and the media, though they did not have the right to speak.		X				Done within the context of the General Assembly internal directive.
1.4. RIGHT TO VOTE						
1.4.1 - There are no restrictions or practices that make it difficult for shareholders to use their voting rights.	X					
1.4.2 - There is no company share that has privileged voting rights.	X					
1.4.3 - The Company has not used its voting rights at the General Assembly of any partnership with which it has a mutual shareholding relationship or a subsidiary relationship.					X	There is no mutual subsidiary relationship.
1.5. MINORITY PARTNER RIGHTS						
1.5.1- The company paid the utmost attention to minority partners' use of rights.	X					
1.5.2- With the Articles of Association, minority partner rights were granted to those who own less than 1/20 of the capital and the scope of minority partner rights was extended by amendments to the Articles of Association.			X			Regulated in accordance with the Articles of Association and as per Article 22 of our Articles of Association, provisions not mentioned in the Articles of Association are subject to Turkish Commercial Code, the Capital Markets Board and the relevant legislation.



Corporate Governance Compliance Report	Compliance Status					
	Yes	Partially	No	Exempt	Irrelevant	Explanation
1.6. RIGHT OF PROFIT SHARING						
1.6.1 - The dividend policy approved by the General Assembly is publicly disclosed on the corporate website.	X					
1.6.2 - The dividend policy includes the minimum information that will allow shareholders to predict the procedures and principles for distribution of company dividends in future periods.	X					
1.6.3 - Reasons for not distributing profit and the way undistributed profit will be used are specified in the relevant agenda item.					X	Profits were distributed during the period.
1.6.4 - The Board of Directors has reviewed whether there is a balance between the interests of the shareholders and the interests of the partnership regarding the dividend policy.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions that make transferring shares difficult.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company's corporate website includes all the factors that make up the corporate governance principle numbered 2.1.1.		X				Our Company's corporate website includes the date and number of the Turkish Trade Registry Gazette where changes are published, and information requests reaching the Company, questions, complaints, and responses under the title of frequently asked questions.
2.1.2- Shareholder structure (names, privileges, and number and ratio of shares of natural person shareholders who own more than 5% of the issued capital) is updated on the corporate website at least once every 6 months.					X	There are no natural person shareholders who own more than 5%.
2.1.4 - The information on the company's corporate website has been prepared in foreign languages, which are selected as necessary, with the exact same content as the Turkish.	X					
2.2. ACTIVITY REPORT						
2.2.1 - The Board of Directors ensures that the annual activity report reflects the company's activities fully and accurately.	X					
2.2.2 - The annual activity report includes all the factors that make up principle 2.2.2.	X					
3.1. COMPANY POLICY FOR STAKEHOLDERS						
3.1.1- The regulations and contracts regarding the rights of stakeholders are protected within the scope of good faith rules.	X					
3.1.3 - The policies and procedures regarding the rights of stakeholders are published on the company's corporate website.	X					
3.1.4 - The mechanisms necessary for stakeholders to report transactions which do not comply with legislation and are not ethically appropriate have been established.	X					
3.1.5 - The company handles conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF STAKEHOLDERS IN THE COMPANY MANAGEMENT						
3.2.1 - Employee participation in management has been regulated by the Articles of Association or internal regulations.		X				Employee representation is done in order for Blue Collar and White Collar personnel to carry out their activities on the boards. There is a union that represents the rights and responsibilities of Blue Collar workers.
3.2.2 - Methods such as questionnaires / consultations have been applied in order to obtain the opinions of stakeholders on important decisions that have consequences for them.	X					



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Corporate Governance Compliance Report	Compliance Status					
	Yes	Partially	No	Exempt	Irrelevant	Explanation
3.3. THE COMPANY'S HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an equal opportunity employment policy that includes succession procedures for all key executive positions.	X					
3.3.2 - The criteria for personnel recruitment are defined in writing.	X					
3.3.3 - The company has a Human Resources Development Policy and it organizes training for employees within this scope.	X					
3.3.4 - Meetings were held in order to inform employees on matters such as the financial position of the company, salaries, career planning, training and health.	X					
3.3.5 - Decisions which may affect employees were reported to them and their representatives. Opinions of the relevant unions were obtained.	X					
3.3.6 - Job definitions and performance criteria were prepared in detail, announced to all employees, and used in salary decisions.	X					
3.3.7 - Measures such as procedures, training, raising awareness, objectives, monitoring, and grievance mechanisms have been taken in order to prevent discrimination among employees and to protect employees against physical, mental, and emotional mistreatment within the company.	X					
3.3.8 - The company supports and recognizes the freedom to form associations and the right to collective labor agreements.	X					
3.3.9 - A safe working environment is provided for employees.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1- The company measured customer satisfaction and operated with an understanding of unconditional customer satisfaction.	X					
3.4.2 – Customers are notified when there is a delay in processing their claims for the goods and services they purchased.	X					
3.4.3 - The company is bound by their quality standards on goods and services.	X					
3.4.4 - The company has controls in place to protect the confidentiality of sensitive information of customers, suppliers and their trade secrets.	X					
3.5. CODES OF CONDUCT AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of Directors determined the Code of Ethics and published it on the company's corporate website.	X					
3.5.2- The partnership is cognizant of social responsibility. It took measures in order to prevent corruption and bribery.	X					
4.1. FUNCTION OF THE BOARD OF DIRECTORS						
4.1.1- The Board of Directors ensures that strategies and risks do not threaten the long-term interests of the company and implements effective risk management.	X					
4.1.2- The agenda and minutes of meetings reveal that the board of directors has approved the strategic targets of the company by discussing them, determined the resources required and audited the performance of management.	X					
4.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS						
4.2.1- The board of directors documented its activities and submitted them for shareholders' information.	X					
4.2.2- The duties and authorities of the members of the board of directors are explained in the annual activity report.	X					
4.2.3 - The board of directors established an internal control system that is suitable for the company's scale and the complexity of its activities.	X					
4.2.4- Information about the operation and effectiveness of the internal control system is given in the annual activity report.	X					
4.2.5 - The duties of the chairman of the board and chief executive officer are defined and separate from each other.	X					
4.2.7- The board of directors worked cooperatively with the investor relations department and the corporate governance committee to help them work effectively on matters such as eliminating conflicts between the company and the shareholders and communicating with the shareholders.	X					
4.2.8 - The company has obtained executive responsibility insurance that exceeds 25% of the capital, to cover damages that members of the board of	X					



**ACTIVITY REPORT OF THE BOARD OF DIRECTORS PREPARED IN
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directors might cause by performing their duties defectively.						
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Corporate Governance Compliance Report	Compliance Status					
	Yes	Partially	No	Exempt	Irrelevant	Explanation
4.3. THE STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9- The board of directors of the company has determined a 25% minimum target goal for female members and has established a policy to achieve this goal. The structure of the board of directors is reviewed annually and the nomination process is carried out in accordance with this policy.			X			There are no female members on our Board of Directors. There is no 25% minimum target policy for female members on the Board of Directors.
4.3.10 - At least one member of the committee responsible for auditing has 5 years of experience in auditing/accounting and finance.	X					
4.4. THE BOARD OF DIRECTORS MEETINGS						
4.4.1 - All board members physically participated in most of the board of directors meetings.	X					
4.4.2 - The board of directors defined a minimum period for sending information and documents related to the agenda to all members before the meeting.	X					
4.4.3 - The opinions of members who could not attend the meeting but who reported his/her opinions in writing to the board of directors were submitted for other members' information.	X					
4.4.4 - Each member of the board of directors has the right to one vote.	X					
4.4.5 - The way in which the board of directors will hold their meetings has been put in writing in the intracompany regulations.	X					
4.4.6 - The minutes of the board of directors meetings reveal that all items on the agenda are discussed. Decisions are made keeping opposing views in mind.	X					
4.4.7 - Members of the board of directors are limited in the duties they can assume outside the company. The duties of the members of the board of directors outside the company were submitted for shareholders' information at the General Meeting.			X			There is no restriction on members of the Board of Directors taking on other duties outside the Company.
4.5. THE COMMITTEES ESTABLISHED WITHIN THE BODY OF THE BOARD OF DIRECTORS						
4.5.5 - Each board member only serves on one committee.		X				Due to the number of Board of Directors, some members serve on more than one committee.
4.5.6- The committees invited people whose opinions they thought necessary to meetings to listen to their views.	X					
4.5.7 - Information about the independence of the persons/organizations from which the committee receives consultancy services is included in the annual activity report.					X	The committees did not receive consultancy services in 2019.
4.5.8 - A report was prepared regarding the results of the committee meetings and presented to the members of the board of directors.	X					
4.6. FINANCIAL RIGHTS PROVIDED TO BOARD OF DIRECTORS MEMBERS AND EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITIES						
4.6.1 - The board of directors conducted a performance evaluation of the board of directors in order to evaluate whether it fulfills its responsibilities effectively.	X					
4.6.4 - The company did not extend credit to any members of the board of directors or executives with administrative responsibilities, did not lend money to them or did not extend periods of lent money, did not improve the conditions, did not extend credit under personal credit titles through third parties and did not guarantee anything in favor of them.	X					
4.6.5 - The salary of every member of the board of directors and each executive with administrative responsibilities is explained in the annual activity report.			X			The salaries of Board of Director members and the executives with administrative responsibilities are explained collectively in the annual activity report.

1. SHAREHOLDERS	
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1.1. Making It Easier for Shareholders to Use Their Rights	
Number of investor conferences and meetings held by the company during the year	42
1.2. Right to Obtain and View Information	
Number of private auditor requests	0
Number of private auditor requests accepted at the General Assembly	0
1.3. The General Assembly	
KAP announcement link requesting information within the scope of principle 1.3.1 (a-d)	https://www.kap.org.tr/tr/Bildirim/744854
Were the General Assembly documents presented in English simultaneously with Turkish?	Yes
KAP announcement link regarding the majority of independent members approval, or the operations in which the participants do not have consensus, within the scope of principle 1.3.9	There is no such operation.
KAP announcement link about relevant party operations, which are carried out within the scope of Corporate Governance Communiqué (II-17.1) Article 9	https://www.kap.org.tr/tr/Bildirim/752040
KAP announcement link about common and continuous operations which are carried out within the scope of Corporate Governance Communiqué (II-17.1) Article 10	https://www.kap.org.tr/tr/Bildirim/752040
Section name on the company's corporate website where policy information on donations and grants can be found	Investor Relations / Corporate Governance / Policies / Donations and Aid Policy
KAP announcement link with the general assembly minutes concerning the acceptance of the policy on donations and grants	https://www.kap.org.tr/tr/Bildirim/289049
Article number in the prime contract regulating the participation of stakeholders in the general assembly	Article 14
Information on the stakeholders who participate in the General Assembly	There was no participation in the General Assembly other than by shareholders and incumbents.
1.4. Right to Vote	
Are there privileged voting rights?	No
Privileged shareholders and voting rates, if there is privileged voting	-
Largest shareholder share percentage	%5,09
1.5. Minority Partners' Rights	
Were minority partners' rights extended in the company's Articles of Association (in terms of content or rate)?	No
If minority partners' rights were extended in terms of content or rate, specify the number of the relevant Articles of Association article.	-
1.6. Right of Profit Sharing	
Section name on the corporate website containing the company's profit distribution policy	Investor Relations / Corporate Governance / Policies / Profit Distribution Policy
In the event the Board of Directors suggests the General Assembly not distribute profit, minute text related to the general meeting agenda item that specifies the reasons for this and the way the retained earnings will be used	Profit was distributed in 2019.
KAP link announcement containing the relevant General Assembly minutes in the event the Board of Directors suggests the General Assembly not distribute the profit	Profit was distributed in 2019.



KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.

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Date of General Assembly	Number of additional explanation demands submitted to the company regarding the agenda of the General Assembly	Shareholder participation rate at the General Assembly	Rate of shares which were directly represented	Rate of shares which were represented by proxy	Section name on the company's corporate website containing the minutes of the General Assembly and show the positive and negative votes about each agenda item	Section name on the corporate website containing all the questions and answers at the General Assembly	Article or paragraph number of the General Assembly minutes about the related parties	Number of people notified to the Board of Directors who have access to partnership information in a privileged way (Insider list)	KAP Link of the General Assembly statement
02.04.2019	0	25,75%	10,55%	15,20%	Investor Relations / Corporate Governance / General Assembly	-	Agenda Item No 6	7	https://www.kap.org.tr/tr/Bildirim/743527



2. PUBLIC DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Section names on the corporate website containing the relevant information on corporate governance principle number 2.1.1.	Corporate / Sustainability, Investor Relations / Corporate Governance, Investor Relations / Presentation, Reports and Sheets, Information Society Services, Frequently Asked Questions
Section on the corporate website listing natural person shareholders that have more than 5% of the shares directly or indirectly	-
Languages the Corporate Website Includes	Turkish / English
2.2. Activity Report	
Page numbers or section names of the activity report containing the information stated in corporate governance principle number 2.2.2.	
a) Page number or section name containing the duties of the board of directors members, the positions they hold outside the company, and the members' independence declarations	4.2. Information About the Duties of Board of Directors Members and Executives Outside the Company Apart from Subsidiaries and Affiliates, APPENDIX-1 Independence Statements of the Independent Board Members
b) Page number or section name with information about committees established within the Board of Directors	6. Board of Directors Committees and their Members, Frequency of Meetings, Working Principles to Include the Activities Conducted and Board of Directors Evaluation of the Committees' Activities
c) Page number or section name with information on the number of board of directors meetings during the year and the attendance status of the members at the meetings	4.1. Number of Meetings of the Board of the Directors during the Year and the Attendance Status of the Board of the Directors Members at the Meetings
d) Page number or section name with information about legislative amendments that may significantly affect company activities	20. Information About Legislative Amendments that May Significantly Affect Company Activities
e) Page number or section name with information about important lawsuits filed against the company and their possible consequences	21. Information About Important Continuing Lawsuits Filed Against the Company and Their Possible Consequences
f) Page number or section name with information about conflicts of interest between investment consultancy and evaluation institutions the company employees, and the company itself, and the measures taken by the company in order to prevent these conflicts of interest	22. Information About Conflicts of Interest Between Investment Consultancy and Evaluation Institutions the Company Employs, and the Company Itself, and the Measures Taken by the Company in order to Prevent These Conflicts of Interest
g) Page number or section name with information about direct contributions to the capital which exceed 5% and the corresponding participation	10. General Information About Affiliates and Subsidiaries
h) Page number or section name with information about social rights, employee vocational education, and company activities with social and environmental consequences	24. Information About Social Rights, Employee Vocational Education and Company Activities With Social and Environmental Consequences



3. STAKEHOLDERS	
3.1. Company Policy on Stakeholders	
Section name on the corporate website with information on compensation policy	-
Number of finalized judicial decisions against the company due to violations of employee rights	9
Titles of the authorized people in the notification mechanism	KARDEMİR Chairman of the Board of Directors, Deputy Chairman of the Board of Directors, General Manager, Assistant General Manager of Financial Affairs, Assistant General Manager of Human Resources, Legal Advisor, Investor Relations Chief and Corporate Communications Chief.
Access information to the company's notification mechanism	etik@kardemiretik.com
3.2. Supporting Stakeholders' Participation in Company Management	
Section name on the company website with internal regulations on the participation of employees in managing bodies	Corporate Governance/Sustainability/MANAGEMENT SYSTEMS
Managing bodies where the employees are represented	Boards, Management Systems, Union
3.3. The Company's Human Resources Policy	
The role of the board of directors in developing a succession plan for key executive positions	The Board of Directors is authorized to evaluate managers who contribute to the realization of the company's strategic objectives and to appoint them to relevant positions
Section name on the corporate website on human resources policy that includes equal opportunity and personnel recruitment criteria or a summary of the relevant policy articles	-
Is there an employee stock ownership plan?	There is no employee stock ownership plan
Section name on the corporate website on the human resources policy that includes measures preventing discrimination and ill treatment or a summary of the relevant articles	-
Number of finalized judicial decisions against the company due to responsibility for occupational accidents	2
3.5. Codes of Conduct and Social Responsibility	
Section name on the corporate website on codes of conduct	Corporate/Sustainability/Codes of Conduct
Section name on the corporate website with the corporate social responsibility report. If there is no corporate social responsibility report, measures taken on environmental, social and corporate governance matters	Corporate/Sustainability
Measures taken in order to fight against all forms of corruption including extortion and bribery	Stated in Business Ethics Rules.

4. THE BOARD OF DIRECTORS-I	
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4.2. Activity Principles of the Board of Directors	
Date of the most recent board of directors performance evaluation	26.02.2020
Were independent experts utilized in the board of directors performance evaluation?	No
Were all board of directors members confirmed?	Yes
Names of the board of directors members authorized with work distribution and the content of their relevant authorizations	Mustafa YOLBULAN- Chairman of the Board of Directors Ömer Faruk ÖZ- Deputy Chairman of the Board of Directors
Number of reports submitted to the supervisory board or other relevant committees by the internal control unit	11
Section name or page number of the activity report with the evaluation on the effectiveness of the internal control system	Internal Control System and Internal Auditing Activities
Name of Chairman of the Board of Directors	Mustafa YOLBULAN
Name of Chief Executive Officer / General Manager	Dr. Hüseyin Ş. SOYKAN
KAP announcement link which explains why the chairman of the board of directors and chief executive officer/general manager is the same person	Not the same person.
KAP announcement link stating that any damage board of directors members may cause due to their mistakes while executing their duties is insured for a figure that exceeds 25% of the company's capital	Warranty Limited Executive Liability Insurance was obtained for damages the board of directors members may cause due to their mistakes while executing their duties.
Section name on the corporate website that provides information about the diversity policy to increase the number and ratio of female board of directors members	-
Number and ratio of the female members	-

Structure of the Board of Directors

Name/Surname of the Member of the Board of Directors	Executive or not	Independent Member or not	First Date of Election to the Board of Directors	KAP Announcement Link with their Declaration of Independence	Has the Independent Member been Evaluated by the Nomination Committee	Has the Member Lost Their Independence	Has at least 5 years of Experience in Auditing, Accounting and/or Finance
Mustafa YOLBULAN	Non-Executive Director	Non-Independent Member	01.11.2017	-	-	No	No
Ömer Faruk ÖZ	Non-Executive Director	Independent Member	01.11.2017	-	Evaluated	No	No
Atilla Tamer ALPTEKİN	Non-Executive Director	Non-Independent Member	01.11.2017	-	-	No	Yes
Burak YOLBULAN	Non-Executive Director	Non-Independent Member	01.11.2017	-	-	No	No
Bülent GEDİKLİ	Non-Executive Director	Independent Member	01.11.2017	-	Evaluated	No	Yes
Hüseyin Çağrı GÜLEÇ	Non-Executive Director	Non-Independent Member	01.11.2017	-	-	No	Yes
Mehmet ERDOĞAN	Non-Executive Director	Independent Member	01.11.2017	-	Evaluated	No	No
Murat YOLBULAN	Non-Executive Director	Non-Independent Member	01.11.2017	-	-	No	Yes
Kamil GÜLEÇ	Non-Executive Director	Non-Independent Member	01.11.2017	-	-	No	No
Osman KAHVECİ	Non-Executive Director	Independent Member	03.07.2018	-	Evaluated	No	No
Talat YILMAZ	Non-Executive Director	Non-Independent Member	01.11.2017	-	-	No	No



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4. THE BOARD OF DIRECTORS-II	
4.4. Form of the Board of Directors Meetings	
Number of physical board of directors meetings held during the reporting period	22
Average attendance rate at the board of directors meetings	98%
Is an electronic portal used to simplify the board of directors work?	Yes
Number of days before the meeting information and documents were submitted to the members in accordance with the working principles of the Board of Directors	4 days
Section name on the corporate website with information on the internal regulations that determine how the board of directors meetings will be held	Investor Relations/Corporate Governance/Articles of Association/Article 12
The upper limit set in the policy that limits the board of directors members to take on other duties outside the company	-
4.5. Committees Established within the Board of the Directors	
Page number or section name of the activity report with information about the board of directors committees	6. Evaluation of the Board of Directors on Operating Principles and the Effectiveness of Committees, Committee Members, Meeting Frequency, and Activities
KAP announcement link for the working principles of the committees	https://www.kap.org.tr/tr/Bildirim/220308

Committees of the Board of Directors –I

Board of Directors' Committee Names	Name of the Committee Specified as "Other" in the First Column	Name-Surname of Committee Members	Committee President or Not	Board Member or Not
Audit Committee		Bülent GEDİKLİ	Yes	Board Member
Audit Committee		Osman KAHVECİ	No	Board Member
Corporate Governance Committee		Mehmet ERDOĞAN	Yes	Board Member
Corporate Governance Committee		Talat YILMAZ	No	Board Member
Corporate Governance Committee		Murat YOLBULAN	No	Board Member
Corporate Governance Committee		Hüseyin Çağrı GÜLEÇ	No	Board Member
Corporate Governance Committee		Burçay YAVUZ	No	Not a Board Member
Early Detection of Risk Committee		Osman KAHVECİ	Yes	Board Member
Early Detection of Risk Committee		Atilla Tamer ALPTEKİN	No	Board Member
Early Detection of Risk Committee		Hüseyin Çağrı GÜLEÇ	No	Board Member
Early Detection of Risk Committee		Murat YOLBULAN	No	Board Member



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4. THE BOARD OF DIRECTORS-III	
4.5. Committees Established within the Board of Directors -II	
Please indicate the section of the activity report or the corporate website containing information about audit committee activities (page number or section name)	In the activity report it is included in the “Evaluation of the Board of Directors on Operating Principles and the Effectiveness of Committees, Committee Members, Meeting Frequency and Activities” section and on our corporate website in the Investor Relations/Corporate Governance/Committees section.
Please indicate the section of the activity report or the corporate website containing information about corporate governance committee activities (page number or section name)	In the activity report it is included in the “Evaluation of the Board of Directors on Operating Principles and the Effectiveness of Committees, Committee Members, Meeting Frequency and Activities” section and on our corporate website in the Investor Relations/Corporate Governance/Committees section.
Please indicate the section of the activity report or the corporate website containing information about nomination committee activities (page number or section name)	In the activity report it is included in the “Evaluation of the Board of Directors on Operating Principles and the Effectiveness of Committees, Committee Members, Meeting Frequency and Activities” section and on our corporate website in the Investor Relations/Corporate Governance/Committees section.
Please indicate the section of the activity report or the corporate website containing information about the early detection of risk committee activities (page number or section name)	In the activity report it is included in the “Evaluation of the Board of Directors on Operating Principles and the Effectiveness of Committees, Committee Members, Meeting Frequency and Activities” section and on our corporate website and in the Investor Relations/Corporate Governance/Committees section.
Please indicate the section of the activity report or the corporate website containing information about compensation committee activities (page number or section name)	In the activity report it is included in the “Evaluation of the Board of Directors on Operating Principles and the Effectiveness of Committees, Committee Members, Meeting Frequency and Activities” section and on our corporate website in the Investor Relations/Corporate Governance/Committees section.
4.6. Financial Rights Provided for Board of Directors Members and Executives with Administrative Responsibilities	
Page number or section name with information on whether the operational and financial objectives of the activity report have been achieved	-
Section name of the corporate website containing information on accounting for executive and non-executive members	Investor Relations/Corporate Governance/Policies
Page number and section name of the activity report indicating any fees and all other benefits provided to board of directors members and directors with administrative responsibilities	6. Number of Meetings of the Board of the Directors during the Year and the Attendance Status of the Board of the Directors Members at the Meetings

Committees of the Board of Directors -II					
Board of Directors' Committee Names	Name of the Committee Specified as “Other” in the First Column	Non-Executive Directors Percentage	Independent Committee Members Percentage	Number of Physical Meetings Held by the Committee	Number of Reports Submitted to the Board of Directors about Committee Activities
Audit Committee		100	100	4	5
Corporate Governance Committee		100	20	-	-
Early Detection of Risk Committee		100	25	6	6