



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report

**ENERJISA**

**19 December 2019**

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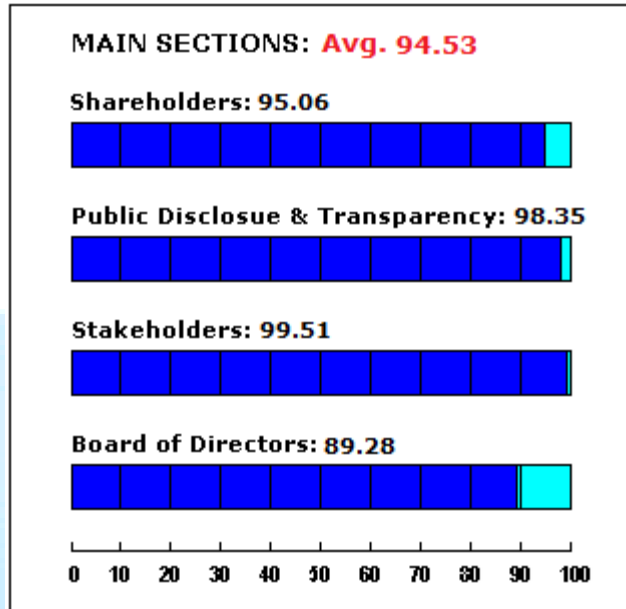
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## Rating and Executive Summary

### ENERJİSA ENERJİ A.Ş. (ENJSA)

 SAHA  
Corporate Governance Rating:

**9.45**



### EXECUTIVE SUMMARY

This report on rating of Enerjisa Enerji A.Ş.'s ("Enerjisa") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Company. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

The Company's corporate governance rating is assigned as above in consideration with the importance given by Enerjisa to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements made during this rating process.

Furthermore, SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Enerjisa is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on October 3, 2019 can be accessed at <http://www.saharating.com>.

Enerjisa is rated with **9.51** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations. These rights and shareholder relations are managed by the "Investor Relations Department". There are no voting privileges. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a publicly disclosed, consistent dividend policy of the Company. There are no restrictions on transfer of shares. Policy on donations and grants approved at the general shareholders' meeting and disclosed to the public. On the other hand, the rate of minority rights in the Company's articles of association is adopted as prescribed for public joint stock companies (%5). Disclosure Policy is yet to be submitted for approval at the general shareholders' meeting.

Enerjisa attained **9.83** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site that includes all information listed in the Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are made via all communications channels and are in accordance with the CMB and Borsa Istanbul (BIST) rules and regulations. The annual report is also comprehensive and informative. Shareholding structure of Enerjisa Company and the names of ultimate controlling individual shareholders as identified after being released from indirect shareholding relationships between co-owners are disclosed to the public. Benefits provided to board members and senior management is mentioned collectively in the annual report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, Enerjisa scored **9.95**. Enerjisa guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is established and disclosed to the public on the web site. The Company has an effective and comprehensive human resources policy. A model has been developed to support the participation of stakeholders in the management of the Company. Code of ethics is publicly available through the Company's web site. Various social responsibility projects have been implemented. A detailed Sustainability Report is prepared and published.

From the perspective of the principles regarding the **Board of Directors**, Enerjisa's tally is **8.93**. There is a well communicated mission and vision, and the board fulfils all duties in accordance with the Company's needs. Chairman of the board and the general manager are not the same person. The board consists of 8 members with 2 executive and 2 independent members. Each board member is entitled to a single vote. There are 2 female board members and the Company has met the Corporate Governance Principles' advisory target of 25% female board membership rate. Corporate Governance, Audit and Early Risk Detection Committees are established. The Investor Relations Department head is not in the Corporate Governance Committee. The working principles of the Committees and the Remuneration Policy are disclosed to the public. Our observations will continue in order to have a more precise view of the activities and the degree of functionality of the Committees. Losses that may be incurred by the Company as a result of not performing the board members' duties duly are insured (but not for an amount exceeding 25% of capital). Remuneration of board members and executives with administrative responsibility as well as all other benefits provided are mentioned collectively in the annual report, but Principles dictate reporting on an individual basis.

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which have been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**  
Public Disclosure and Transparency: **25%**  
Stakeholders: **15%**  
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria thereunder. A separate rating is assigned to each one of the main sections as well.

## **METHODOLOGY AMENDMENT**

Just like any other methodology, the Corporate Governance Rating methodology applied by SAHA bears a dynamic feature that is expected to respond to increasing experience and needs over time. With this understanding, we review our methodology in each rating process and highlight the possibilities for improvement.

Regarding the content of the methodology; due to changes in the legislation and changes dictated by our rating experience, and in order to eliminate potential ambiguities, periodic revisions and updates in the rating methodology are necessary. These revisions are made by sortation of existing bundled questions and/or addition of new questions. These fortifications, corrections and additions do not affect the weightings of our methodology's four main sections and their subsections. Only third and later tier subsections are minimally affected.

Pursuant to the Capital Markets Board's (the "CMB") decision dated January 10, 2019 and numbered 2/49, publicly traded companies are now required to use the templates of the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) through the Public Disclosure Platform (PDP) to inform the public about their corporate governance practices.


However, in 2019, listed companies have been granted a transition period and are free to prepare compliance reports in accordance with the previous and/or the new format. Only the new format will be used as of 2020. This recent application is added to our methodology.

Furthermore, assessment of voting and nomination privileges of board members under the voting rights heading of our methodology without fail and in each case separately, as well as the ever-increasing importance of risk management organization and the coordination and supervision of these risks by the early detection of risk committee established within the board of directors have become crucial.

In addition, taking into account the Principles updated by the OECD in 2015, the issue of "more clear and functional objectives" adopted by the Board of Directors have been added to our methodology.

Although our methodologies for public and private companies, public and private banks, public and private non-bank financial institutions have changed accordingly, CRF and CGIF forms are not taken into account for the non-public companies.

## Company Overview

<b>Enerjisa Enerji A.Ş.</b>	
	<b>Chairman of the Board</b> Kıvanç Zaimler <b>Chief Executive Officer</b> Murat Pınar
Barbaros Mah., Begonya Sok., Nida Kule Ataşehir, Batı Sitesi No: 1/1 Ataşehir 34746 İstanbul	<b>Investor Relations Department Head</b> İlkay Demirdağ Tel: +90 (0) 216 579 0932 <a href="mailto:investorrelations@enerjisa.com">investorrelations@enerjisa.com</a>

Enerjisa was established as an autoproducer company in 1996 to meet the electricity requirements of Sabancı companies and became one of the leading players of the growing and developing electricity market of Turkey. As of April 2013, 50% partnership process among Enerjisa and E.ON, which is one of the leading private electricity and natural gas companies of the world, was successfully completed.

Enerjisa with its two main business lines of electricity distribution and sales reaches 9.6 million customers in 14 provinces and provides distribution services to approximately 20.9 million users.

Enerjisa continues its distribution and sales operations with Başkent Elektrik Dağıtım A.Ş., İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Toroslar Elektrik Dağıtım A.Ş., Enerjisa Başkent Elektrik Perakende Satış A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. and Enerjisa Toroslar Elektrik Perakende Satış A.Ş.. Enerjisa also provides marketing, energy management and consultancy services and develops sector related products and services with its subsidiary Enerjisa Müşteri Çözümleri A.Ş..

Enerjisa purchased the majority shares of Eşarj Elektrikli Araçlar Şarj Sistemleri A.Ş., which establishes and operates charging stations network and is the market leader in Turkey.

Enerjisa achieved the largest IPO of Turkey to date by taking 20% of its shares public on February 8<sup>th</sup>, 2018 and started trading on Borsa İstanbul.

From the underlying net income of TL 730 million for fiscal year 2018, a total gross cash dividend distribution of TL 472 million (gross TL 0.40 [40%] for each share with a nominal value of TL 1) was approved at the general shareholders' meeting held on 28 March 2019.



The Company shares are traded under "ENJSA" code at Borsa Istanbul and is a constituent of BIST 100 (XU100), BIST All Shares (XUTUM), BIST 100-30 (XYUZO), BIST 50 (XU050), BIST Services (XUHIZ), BIST Istanbul (XSIST), BIST Sustainability (XUSRD), BIST Electricity (XELKT), BIST IPO (XHARZ) and BIST Stars (XYLDZ) indices. Enerjisa is also included in the FTSE All-World Index and the MSCI Small Cap (Turkey) Index.

Enerjisa's capital structure is as follows:

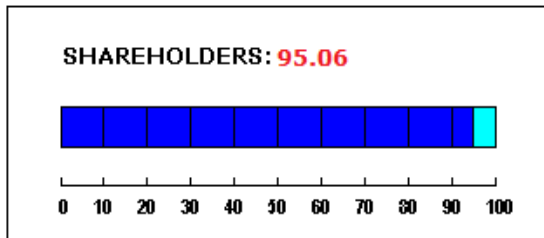
<b>Capital Structure</b>		
<b>Shareholders</b>	<b>Share Value (TL)</b>	<b>Share %</b>
Hacı Ömer Sabancı Holding A.Ş.	472,427,587.56	40.00
DD Turkey Holdings S.A.R.L.	472,427,587.56	40.00
Free Float	236,213,792.00	20.00
<b>TOTAL</b>	<b>1,181,068,967.12</b>	<b>100.00</b>

Division of tasks of the Board of Directors of ENERJISA is as follows:

<b>Board of Directors of ENERJISA ENERJİ A.Ş.</b>	
<b>Name</b>	<b>Title</b>
Kıvanç Zaimler	Chairperson (executive)
Eric René C. Depluet	Vice-chairperson (executive) Early Risk Detection Committee Member
Hakan Timur	Member (non-executive) Corporate Governance Committee Member Early Risk Detection Committee Member
Manfred Michael Paasch	Member (non-executive) Corporate Governance Committee Member
Barış Oran	Member (non-executive)
Eva-Maria Verena Volpert	Member (non-executive)
Fatma Dilek Yardım	Independent Member (non-executive) Audit Committee Chairperson Early Risk Detection Committee Chairperson
Mehmet Sami	Independent Member (non-executive) Corporate Governance Committee Chairperson Audit Committee Member Early Risk Detection Committee Member



## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	Voting rights are facilitated
+	No voting privileges
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Policy on donations and grants approved at the general shareholders' meeting and disclosed to the public
+	A specific and consistent dividend distribution policy established
=	Minority rights adopted at the rate stipulated by the legislation (not less than one-twentieth of the share capital)
-	Disclosure Policy is yet to be submitted for approval at the general shareholders' meeting
-	Majority of board members do not attend the general shareholders' meeting
-	No clause in the articles of association for attendance of stakeholders and the media in the general shareholders' meeting

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

Enerjisa's Investor Relations Department, established in 2018, plays an active role in facilitating the protection and exercise of the shareholders' rights, mainly the rights to obtain and review information related to the management and operations of the company.

The department is headed by Ms. Ilkay Demirdağ (holder of Capital Market Activities Advanced Level [Level 3], Corporate Governance Rating and Capital Market Derivatives Licenses reporting to Mr. Christian Zaum (Controlling and IR Director). The ultimate responsibility for the department rests with the Controlling and Investor Relations Director, Mr. Christian Zaum.

The department submits quarterly reports - in addition to any ad-hoc requests that may arise - on the activities conducted to the Corporate Governance Committee for further submission to the Board of Directors and fulfills the following duties:

- Ensuring that the records relating to the written correspondence with the investors and other information are kept properly, secure and up-to-date.
- Responding to the queries of the shareholders and potential investors requesting information regarding the Company, excluding the undisclosed information that is deemed confidential and/or trade secret.
- Ensuring that the general shareholders' meeting is held in

compliance with the applicable legislation, articles of association and other Company by-laws.

- d. Preparing the documents that might be used by shareholders in the general shareholders' meeting.
- e. Supervising the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

In addition to the above; the department caters for the information needs of the capital markets by conducting roadshows and attending conferences in Turkey and abroad on a regular schedule throughout the year, prepares all presentation materials for these meetings, keeps the records of voting results of the general shareholders' meeting, and ensures that all reports related to the meeting are sent to the shareholders.

Information and explanations that may affect use of shareholders' rights are duly available and up to date on the corporate web site of the Company.

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

There is no discrimination among the shareholders of Enerjisa when exercising their right to obtain and evaluate information. All information required to exercise shareholders' rights in a sound manner is made available to all shareholders. The information is submitted as complete, accurate and in a timely and diligent manner.

The articles of association of Enerjisa do not contain any provisions hindering the right of shareholders to request appointment of a special auditor and no such request was submitted in 2019.

Although Enerjisa has long established and published on its corporate web site its information (disclosure) policy, the policy has not yet been submitted to the attention of shareholders at an annual general shareholders' meeting.

### **1.3 Minority Rights:**

Maximum care is given to the exercise of minority rights at Enerjisa. Minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital, and the Company has adopted exactly the rate set forth in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Company.

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

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on March 28, 2019 is performed through all means of communication available to the Company on March 5, 2019 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity, exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined. A descriptive disclosure document on agenda items has also been prepared.

Commencing from the date of announcement of invitation for the

general shareholders' meeting; the annual report, financial statements and reports, and all other related documents pertaining to the agenda items along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Company, and the electronic media.

Enerjisa has also prepared an informative document prior to the general shareholders' meeting clarifying the agenda items in a more detailed manner.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site:

- a. The total number of shares and voting rights reflecting Enerjisa's shareholding structure as of the date of disclosure and that there are no privileged share groups within the shareholding structure.
- b. Information on changes in management and activities of the Company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the Company operations.
- c. Grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Company and its related parties, whether they are independent or not, and information on similar issues.
- d. The old and new versions of the related provision of the amended articles of association as approved by the relevant authorities.

Prior to the meeting, shareholders did not submit any proposals to be included in the agenda of the meeting. Also, there were no transactions submitted to the approval of the shareholders due to lack of approval of those transactions by the majority of the independent board members.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions.

Two independent members of the board of directors as well as the chairman of the board, authorized persons who are responsible for preparing the financial statements and the representative of the external audit firm were present to give necessary information and to answer questions at the general shareholders' meeting.

Enerjisa has established a policy on donations and grants and submitted it to the general shareholders' meeting for approval in 2017. In 2019, shareholders were informed, with a separate agenda item, of amount and beneficiaries on all donations and grants effectuated within the reporting period.

There are no statutory obstacles for the attendance of stakeholders and media in the general shareholders' meetings with no voting rights, however but no such clause for their

admittance is included in the articles of association.

### **1.5. Voting Rights:**

There are no voting privileges at Enerjisa. Each share has an equal voting right. Any actions that may complicate the use of voting rights are avoided. Each shareholder is given the opportunity to exercise his/her voting right, including cross border voting, in the most appropriate and convenient manner.

No ceilings are applied on the number of votes that a shareholder may exercise during the general shareholders' meeting. The right to vote is automatically granted once the share is acquired. Hence, under no conditions, arrangements that would postpone the exercise of the right to vote a certain period following the acquisition of share are adopted.

Provisions that may prevent voting by use of a proxy who is not a shareholder are not included in the articles of association of the company.

There is no cross-ownership between Enerjisa and its affiliates and subsidiaries and there has been no situation requiring the freezing of votes during the general shareholders' meeting as a result of such a relationship.

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

The dividend distribution policy of Enerjisa is clearly defined and disclosed to public on the corporate web site. It is submitted to the approval of the shareholders at the general shareholders' meeting and is incorporated in the annual report.

No group or shareholder is granted privileges with respect to dividend distribution policy or profit sharing pursuant to the articles of association.

Each of the shares has equal dividend right.

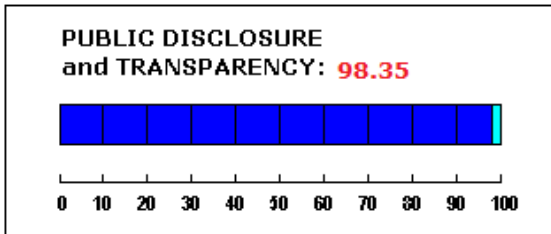
Enerjisa's dividend distribution policy contains sufficient information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the Company. The dividend distribution proposal submitted to the shareholders at the latest general shareholders' meeting contained all necessary information.

The articles of association contain a provision on advance dividend payments.

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

Neither the articles of association nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive Disclosure Policy, disclosed to public on the web site
+	Comprehensive web site, actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	Ultimate controlling shareholders with a share higher than 5% are disclosed
+	English version of the web site for international investors
+	Dividend distribution policy disclosed to public via the web site
=	Benefits provided to board members and senior executives are mentioned collectively in the annual report
-	No formal internal guidelines for the general shareholders' meeting

### 2.1. Corporate Web Site:

Energisa's corporate web site is easily accessible, actively used as a means of public disclosure, and is also made available in English for foreign investors and shareholders. The information contained therein is timely updated, accurate, complete, comprehensible and interpretable.

Along with the information required to be disclosed pursuant to the

legislation, the corporate web site includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's articles of association, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, frequently asked questions, and responses thereof.

The Company's shareholding structure; the names, amount and rate of the shares held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect relationships between co-owners is disclosed to the public through the corporate web site.

Energisa's corporate web site also includes; investor presentations, the donation policy, working principles of the Committees, important board decisions under the heading of material disclosures, the vision/mission of the Company established by the board, information on dividend payments and capital increases for the last 2 years, news, social responsibility activities, the sustainability report, information on senior management, financial data, main ratio analyses, information about the protection of personal data

regarding the web site, terms of use and privacy policy, timetable on events and developments which may interest investors, and the human resources policy.

Formal internal guidelines and procedures for the general shareholders' meeting have not yet been prepared and posted on the web site.

Pursuant to the Capital Markets Board's (CMB) decision dated January 10, 2019 and numbered 2/49, Enerjisa prepared the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) and disclosed them on the Public Disclosure Platform (PDP) a month before the ordinary general shareholders' meeting held on March 28, 2019.

## **2.2. Annual Report:**

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the Company and it covers information such as;

- a. Period covered by the report, the title of the entity, trade register number, contact information,
- b. The names of the chairman and members served on the board and the Committees during the covered period,
- c. The sectors in which the Company operates and information on its position in these sectors,
- d. Qualifications of the Company's units, general explanations related to their activities and performances, and yearly developments,
- e. Progress on investments, the eligibility status on incentives,
- f. Changes and justifications on the articles of association during the period,

- g. Corporate Governance Principles Compliance Report,
- h. Links to the PDP for the CRF and the CGIF,
- i. Information on related party transactions,
- j. Other issues not included in the financial statements, but are beneficial for users,
- k. Company's capital and ownership structure,
- l. Benefits provided to staff and workers, information on number of personnel,
- m. The dividend distribution policy,
- n. Information about R&D and innovation activities,
- o. Basic ratios on the financial position, profitability and solvency,
- p. Company's financing resources and risk management policies,
- q. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the content specified in the legislation, the following also took place in the annual report:

- a. External duties of board members and executives,
- b. Declaration of independence of the related board members,
- c. Members of the Committees within the board, meeting frequency and working principles of the Committees,
- d. The number of board meetings held during the year and participation status of the members,
- e. Changes in legislation which could significantly affect the Company's operations,
- f. Significant legal cases against the Company and possible consequences,
- g. Information on the fact that there is no cross shareholding in excess of 5% of the capital,



- h. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results,
- i. Rating results,
- j. Application status of the corporate governance principles as required by the CMB communiqué, explanations on reasons behind any non-compliance.

On the other hand, benefits provided to board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

### **2.3. External Audit:**

The external audit of Enerjisa Company is conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş..

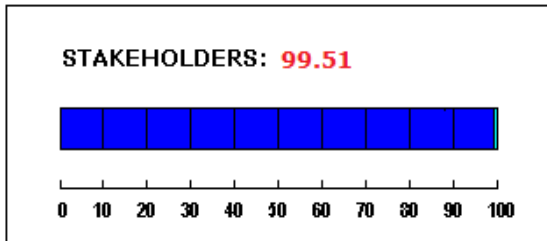
There has been no situation during the reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared by the Company officials that there has been no legal conflict between the Company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. No consulting

company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.



## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources policy
+	Stakeholders' views are taken on important decisions
+	Code of ethics disclosed to public
+	Efficient customer support mechanisms
+	Company is socially and environmentally sensitive and respectful
+	A written employee compensation policy is established and disclosed to the public on the web site
+	Social responsibility projects implemented
+	There are written supportive regulations regarding the participation of stakeholders in the management of the Company
+	Comprehensive Sustainability Report disclosed on web site

### 3.1. Company Policy Regarding Stakeholders:

Enerjisa's corporate governance framework recognizes the rights of stakeholders established by law or through any other mutual agreement. Effective and swift compensation is assured in case the stakeholders' rights, that are governed under the

relevant legislation and protected by contracts, are violated.

In case the rights of the stakeholders are not regulated by the relevant legislation, Enerjisa resolves to preserve the interest of stakeholders under good faith principles and within the capabilities of the company, without permitting any damage to the brand image.

To this end, stakeholders are sufficiently informed about the company's policies and procedures, which aim to protect stakeholders' rights. Furthermore, Enerjisa has a written compensation policy which is duly disclosed to public on the corporate web site.

Enerjisa has also established the required mechanisms for stakeholders to freely communicate their concerns regarding any illegal or unethical transactions to the corporate governance or the audit committee without compromising their rights.

The company has declared on its CRF posted on the PDP that potential conflicts of interest among the stakeholders are handled with a balanced policy aimed at protecting the rights of stakeholders.

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

Enerjisa employee's participation in management is formalized within the Enerjisa Human Resources policy. Employees according to their roles and responsibilities, are involved in decision making processes, committees and projects. They attend periodic company meetings, annual goal setting and performance

evaluation meetings and take part in decision-making mechanisms, committees and projects.

Additionally, they can share their requests, suggestions and feedbacks with executives via intranet, mobile applications (*IKON*) and other software, communication forms, recommendation systems (*Fikir Kumbarası*), 360 and 180 degree feedback mechanisms and surveys

Customers' participation in management is enabled via monthly customer satisfaction surveys and recommendation score researches. Following these activities, reports are prepared and submitted to the Customer Experience Committee and to all other stakeholders to discuss, prioritize and monitor detected improvement areas. Same communication channels are kept available for suppliers and business partners.

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

In line with the vision of being the "Preferred Employer" within the sector and being among the "First 15" within all sectors, Enerjisa has embraced human resources (HR) processes and applications with well-defined targets and established a clear HR policy to this end.

Enerjisa's HR policy sets the following targets:

- Create a desirable working environment that cultivates a positive organizational climate, communication and culture,
- Develop leaders and good management practices,
- Offer equal opportunities to all potential and existing employees,
- Offer training and development opportunities that provide different

growth and career advancement paths,

- Attract and retain talent by improving corporate reputation,
- Achieving optimal operational quality to maximize stakeholder engagement and satisfaction.

Recruitment and career planning activities are conducted on the basis of equality. The criteria for hiring employees are documented in writing and adhered to. Each employee is treated on equal grounds in education and promotion. Succession plans are in place. Training plans and policies are designed to enhance knowledge, skills and conduct.

Job descriptions and assignments, along with performance and rewarding criteria are announced to the employees. Productivity is a major criterion in determining the salary and additional benefits provided to the employees.

Informative meetings are organized for employees about the Company's financial position as well as compensation, career, training and health related issues where opinions are exchanged. Employees are informed via the management meetings, CEO chats, corporate portal, mobile applications and various communication channels about company performance, targets, organizational changes, etc. In order to provide and sustain health and safety standards, employees and employee representatives are directed to relevant training programs.

Enerjisa strives to provide a safe and healthy working environment. In addition to the training programs mentioned above (details of which are also given in the Company's annual report), Enerjisa develops virtual reality-based simulations for Occupational Health and Safety in the Electricity Distribution Industry

(EDSIS) supported by Tübitak (The Scientific and Technological Research Council of Turkey) and EPDK (Energy Market Regulatory Authority). The number of definitive health and safety related convictions the company was subjected to in 2019 has been a negligible 13 (given close to 10 thousand employees) as declared by the Company in its CGIF posted on the PDP.

Enerjisa's human resources policy is based on job security, suitable environment for employees' professional and personal development and equal opportunity. Measures are taken to ensure that employees are not discriminated on the basis of race, religion, language or gender, and they are protected against any internal physical, mental and emotional maltreatment.

Enerjisa recognizes the free will of its employees to establish or to be a member of associations and their right to involve in collective bargaining. Hence, the work and wage conditions of approximately two thirds of Enerjisa employees are resolved through a labor agreement signed between the Company and TES-İŞ (Turkish Energy, Water and Gas Workers' Union).

To date, Enerjisa did not develop or implement any employee stock ownership programs.

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

Enerjisa is taking a wide variety of precautions to attain customer satisfaction in the sales and marketing of its products and services. The Company complies with quality standards of products and services and strives to maintain these standards.

There is an extensive physical customer service network covering 68 Customer Service Centers, 84 Enerjisa

Transaction Centers, and 24/7 Call Center, and also digital service channels convenient for the needs of both individual and corporate customers on web and mobile platforms.

Customer requests and complaints are resolved quickly, and emphasis is placed on the response quality. In order to help customers submit their requests quickly and easily, communication channels have been increased and diversified. Requests and complaints submitted through different channels, such as petition, email, telephone, website, mobile application (Mobile 186), registered electronic mail (KEP) Twitter support accounts, corporate Facebook account, corporate Sikayetvar.com account, and WhatsApp "village head service line," are easily logged and shared with operational units.

The 186 Call Center employs 800 personnel, receives over 20 million calls annually, and outperforms the industry in response rates and service level rating. Furthermore, the CCCO (Customer Call Center Operation) Project received the first prize in 2018 in the "Best Customer Service" category, awarded by the *Best Business Awards*. Details of other projects that Enerjisa implements to improve the quality of customer service are given in the Company's annual report.

Within the framework of protection of trade secrets, care is taken on the confidentiality of information about customers and suppliers.

Depending on the type of customers, prices are determined either by the regulator or liberalized market conditions.

### **3.5. Ethical Rules & Social Responsibility:**

The ethical rules of Enerjisa are publicly disclosed on the corporate web site.

The Company expends maximum effort to be sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethical rules, and directs and supports its subsidiaries and suppliers to behave in the same manner.

It supports and respects the internationally recognized human rights and through its ethical rules and combats against any kind of corruption including embezzlement and bribery.

Enerjisa complies with the laws and environmental values in all its activities. No lawsuits were filed against the Company on account of any harm done to the environment during the reporting period.

### **3.6. Sustainability:**

Enerjisa is a constituent of Borsa Istanbul's BIST Sustainability Index (XUSRD). To be included in this index, companies are assessed on the basis of a variety of sustainability criteria.

Enerjisa undertakes significant improvements and introduces value-added innovations related to the environment, education and energy in order to improve the quality of life. It strives to build a sustainable future through such social responsibility efforts and acts with a sense of responsibility toward life and the environment.

The most visible of these social responsibility projects is the energy efficiency project titled "I'm Protecting the Energy of the World". Enerjisa

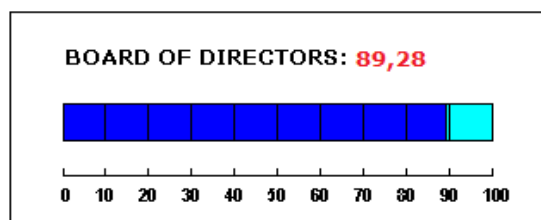
aims to raise awareness of energy efficiency and saving among children by providing training to elementary school students in regions where it operates. For this purpose, training aimed at creating awareness of energy efficiency and saving has been given to more than 250,000 elementary school students from 550 schools in 14 provinces since 2010. The project has been recognized and acclaimed by several awards. Detailed information about the project can be found at: [www.enerjimikoruyorum.org](http://www.enerjimikoruyorum.org)

Enerjisa's Sustainability Report is comprehensive and disclosed to public on its corporate web site. The report incorporates detailed information about identified material sustainability issues; corporate governance; occupational health & safety; environmental impact; and issues regarding stakeholders, employees, customers, supply chain and society as well as a future outlook. All ISO certifications are listed in the report.

Enerjisa is also a signatory of the United Nations Global Compact (UNGC) as well as UN Women Empowerment Principles (WEPs).

Finally, Enerjisa has now put in place a formal "Supplier Ethical Rules & Compliance Declaration" form which will require all suppliers to confirm their full compliance with Enerjisa's policies about the environment, ethical rules and prevention of bribery and employment of underaged children.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The Company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Two independent members on the board
+	Audit, Corporate Governance, Early Risk Detection and Sustainability Committees are established and functional
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
+	Chairman of the board and general manager are not the same person
+	The conduct of the board of directors' meetings is defined in internal regulations and meeting and decision quorums have been included in the articles of association
+	Two female board members
=	Potential losses incurred by the Company and third parties as a result of potential misconduct by executives and directors insured, but not for an amount exceeding 25% of paid-up capital
=	Remuneration and benefits provided to board members and to managers with administrative responsibility are not disclosed on individual basis
=	No formal female board member policy

=	Independent auditor selection process in Audit Committee's charter, but not yet implemented
-	Head of Investor Relations Department not in the Corporate Governance Committee
-	No formal board self-evaluation process

#### 4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage Enerjisa's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the Company. The board administers and represents the Company within these parameters.

The board of directors has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that Company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

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

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report.

The board of director's resolution (statement of responsibility) regarding

the approval of the financial statements, annual report and corporate governance compliance reports includes the CRF and the CGIF posted on the PDP.

The board has also established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees. In this context, the board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report. Chairman of the board and general manager's executive powers are separated and this separation is documented in the articles of association. The chairman of the board and the CEO are not the same person at Enerjisa and there is no individual in the Company who has unlimited authority to take decisions on his/her own.

Enerjisa's board of directors acts as a pioneer in providing efficient communication between the corporation and the shareholders, in resolving and in settling disputes that may arise between these and for this purpose it is in close cooperation with the corporate governance committee and Investor Relations Department.

Defects and damages that may be caused by Enerjisa's board members during the execution of their duties have been insured and this information is included in the annual report. However, it is not disclosed on the PDP and it does not cover an amount that is exceeding 25% of the Enerjisa's paid-up capital.

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

Enerjisa's board of directors is composed of eight members and only two of them are executive. There are two independent members who have the ability to execute their duties without being influenced under any circumstances.

No upper limit for the number of independent board members is mentioned in the articles of association. Tenure of office for independent members is designated as three years as per the relevant legislation.

CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria and these declarations are included in the annual report.

There are two women directors on the board of Enerjisa and this is in line with the 25% target set forth by the CMB Communiqué 28871 on Corporate Governance. The company, however, is yet to establish a formal corporate policy towards attaining and reviewing this target every year and shall disclose it to the public when completed and approved by the board.

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

Board meetings take place with sufficient frequency (convened six times last year). Members allocate sufficient time for all of the Company's business and show care to participate in every meeting (average attendance rate last year stands at 85%).

Chairman of the board of directors sets the agenda for board meetings in



consultation with other members and the general manager. Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date.

Each board member is entitled to a single vote.

The operation and conduct of the board of directors' meeting as well as the meeting and decision quorum have been included in the articles of association of the Company.

The Board of Directors of Enerjisa has passed a resolution setting guidelines that dictate and prohibit any conflicts of interest and interruption of duties within the company in cases where board members serve as executives or board members of other companies or provide consultancy services to other companies.

Shareholders are informed of external duties of the board members through the annual report and the Corporate Governance Compliance Report.

#### **4.5. Committees Established Within the Board of Directors:**

Corporate Governance, Audit, Early Risk Detection and Sustainability Committees are established from within the board of directors in order to fulfill its duties and responsibilities duly.

Functions of the Committees, their working principles, and members are designated by the board of directors and disclosed to public on the corporate web site as well as the annual report.

Both members of the Audit Committee are elected among the independent board members. Also, the chairperson of the Corporate Governance and Risk Assessment Committees are elected

among the independent board members. The Corporate Governance and Early Risk Detection Committees each have four members. The General Manager (CEO) is not on the Committees.

The Corporate Governance Committee, in addition to one independent and one dependent (but not executive) member from the board, has two more executive members from outside the board. The head of the Investor Relations Department is not in the committee, however the CFO (as the responsible executive officer for Investor Relations), the Investor Relations Director and the Investor Relations Head do attend and participate in the committee meetings.

The Early Risk Detection Committee, in addition to two independent board members, has two more members from the board (one of whom is executive).

Three members of the board serve in multiple committees. This is admissible given the size of the board and the number of independent members and there is no indication that this structure negatively affects the functionality of the committees.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the board of directors.

The frequency of Committee meetings is sufficient, all activities are documented and records are kept. Reports containing information about the activities and the resolutions of the meetings are submitted to the board of directors.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure of the financial information, independent auditing, and the



operation and efficiency of internal control and internal audit systems.

The committee also reviews complaints that are received by the Company regarding the accounting and internal control systems of the Company as well as the independent audit within the framework of the principle of confidentiality and finalizes them.

The Audit committee notifies its evaluations with regard to the veridicality and accuracy of the annual and interim period financial statements to be disclosed to the public and accounting principles followed by the corporation to the board of directors in writing, together with the opinions of the responsible executives and independent auditors of the corporation.

The Committee has convened four times during the reporting period. Audit Committee members possess the qualifications listed in the Corporate Governance Principles communiqué. The annual report contains information on activities and meeting resolutions of the Audit Committee and that it has submitted four written reports to the board of directors within the reporting period.

The nomination and election process of the external audit firm, taking into account its competence and independence should start with a proposal from the Audit Committee to the board and end with the board's choice being presented and approved at the general shareholders' meeting. As this procedure has not been followed as yet, we shall monitor this process during the next rating period.

The Corporate Governance Committee, which has convened four times during the reporting period, is established in order to determine whether or not the corporate governance principles are

being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advice to the board of directors. In addition, it oversees the work of the Investor Relations Department.

As separate Nomination and Remuneration Committees are not established from within the board, the Corporate Governance Committee is chartered to perform the governance related duties of these two committees.

One of the inherent tasks of the Nomination Committee is to prepare a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria, and submit this assessment as a report to the board for its approval. This task has been included in the charter of the Corporate Governance Committee. We will monitor whether this procedure is followed when new candidates are considered in the following rating periods.

The Corporate Governance Committee's charter duly assumes the duties of the Nomination Committee and lists forming a transparent system for determination, evaluation, training and rewarding of candidates eligible for the board of directors and determine policies and strategies in this respect, offering suggestions regarding the number of board members and executives, and determining the principles and practices regarding the evaluation of performances of the of the board members and executives. As we currently do not have any meeting minutes that indicate any such discussions and evaluations during the committee meetings, such

functionality will be closely monitored in the upcoming rating periods.

The Corporate Governance Committee also assumes the tasks of a Remuneration Committee. These tasks are well defined in the committee's charter. To this end, those tasks of designating the principles, criteria and means of implementation to be used in the remuneration of the members of the board and the executives and submitting the committee's resolutions about the observed achievement level to the criteria used thereof are integral functions of the Corporate Governance Committee. We have observed the execution of these tasks in the meeting minutes to an extent and will closely monitor the relevant efficiency and functionality of the committee in the upcoming rating periods.

The Early Risk Detection Committee, which has convened five times during the rating period, carries out its tasks towards early detection of risks which may jeopardize the Company's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems at every meeting and finalizes relevant reports.

#### **4.6. Remuneration of the Board of Directors and Senior Management:**

The board of directors explained in the annual report whether the operational and financial targets disclosed to the public are met or not, along with reasons behind possible shortcomings. The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting. A remuneration policy prepared for this purpose can be found on the Company's web site.

Stock options or performance-based payments are not included in the

remuneration package of the independent board members. Their remuneration is designated at a level to maintain their independence

Energisa does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties and comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There have been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage.

Remuneration of executives is consistent with the Company's ethical values, inner balance, and strategic objectives, and it is not associated only with the Company's short-term performance.

Remuneration of board members and managers with administrative responsibility as well as benefits provided are mentioned collectively in the annual report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.

## Rating Definitions

Rating	Definition
9 - 10	The company performs <b>very good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs <b>good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs <b>fair</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them, however does not qualify to be included in the BIST Corporate Governance Index. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs <b>weakly</b> as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs <b>very weakly</b> and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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