



Corporate Governance Rating Report



**N**  
**NORM**  
**HOLDING**

**16 December 2022**

## CONTENTS

Rating and Executive Summary . . . . .	3
Rating Methodology . . . . .	5
Company Overview . . . . .	6
SECTION 1: SHAREHOLDERS . . . . .	8
Facilitating the Exercise of Shareholders' Statutory Rights . . . . .	8
Shareholders' Right to Obtain and Evaluate Information . . . . .	8
Minority Rights . . . . .	9
General Shareholders' Meeting . . . . .	9
Voting Rights . . . . .	10
Dividend Rights . . . . .	10
Transfer of Shares . . . . .	10
SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY . . . . .	11
Corporate Web Site . . . . .	11
Annual Report. . . . .	11
External Audit. . . . .	12
SECTION 3: STAKEHOLDERS. . . . .	14
Company Policy Regarding Stakeholders . . . . .	14
Stakeholders' Participation in the Company Management . . . . .	14
Company Policy on Human Resources . . . . .	15
Relations with Customers and Suppliers . . . . .	15
Ethical Rules & Social Responsibility . . . . .	15
Sustainability . . . . .	15
SECTION 4: BOARD OF DIRECTORS. . . . .	16
Functions of the Board of Directors . . . . .	16
Principles of Activity of the Board of Directors . . . . .	17
Structure of the Board of Directors . . . . .	17
Conduct of the Meetings of the Board of Directors . . . . .	17
Committees Established Within the Board of Directors . . . . .	18
Remuneration of the Board of Directors and Managers With Administrative Responsibility . . . . .	19
Rating Definitions . . . . .	20
Disclaimer . . . . .	21

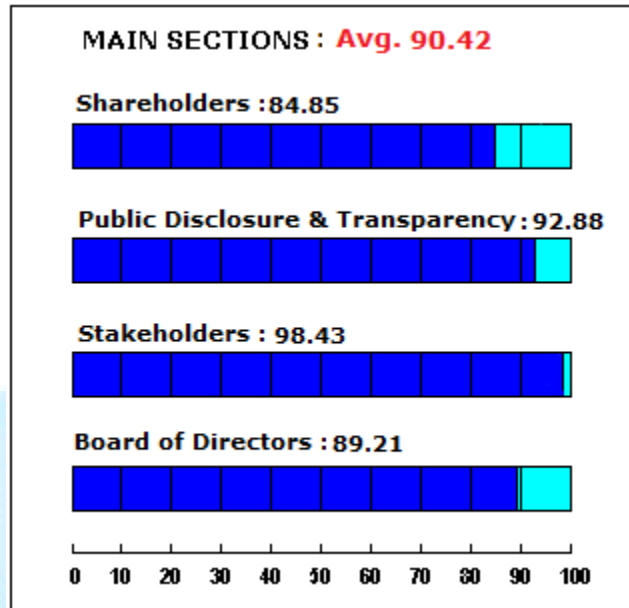
## Rating and Executive Summary

### Norm Holding A.Ş.



Corporate Governance Rating:

**9.04**  
**Priv.**



### EXECUTIVE SUMMARY

This report on rating of Norm Holding A.Ş.'s ("Norm Holding" or "the Company") 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".

Norm Holding is rated with **9.04** out of 10 as a result of the Corporate Governance study conducted by SAHA. The Company's corporate governance rating is assigned in consideration with the importance given by Norm Holding to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Norm Holding 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 May 10, 2022 can be accessed at <http://www.saharating.com>.

Norm Holding is rated with **8.48** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. The relations of the Company with the shareholders are carried out by the Office of the General Secretariat. Shareholders' right to obtain and review information is adequately provided. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation and regulations. There is a publicly disclosed dividend policy of the Company. On the other hand, there are areas open to improvement such as the absence of any regulation in the Articles of Association regarding holding the general shareholders' meetings open to the public, including the media, without the right to vote, the fact that the shares cannot be freely transferred without the approval of the Board of Directors, and existence of privileges to nominate candidates for the Board of Directors.

Norm Holding attained **9.29** under the **Public Disclosure and Transparency** chapter. The Company has a comprehensive web site, prepared both in Turkish and in English. The Annual Report is in compliance with the legislation, comprehensive and informative. The agreements and studies with the external audit firm are in compliance with the legislation. On the other hand, non-disclosure of 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 or cross shareholding relationships between co-owners to the public along with the privileges they hold stands out as an area open to regulation.

On the topic of **Stakeholders**, Norm Holding scored **9.84**. Norm Holding provides an effective and speedy compensation in case of violation of the rights of stakeholders regulated by legislation and mutual agreements. A written compensation policy for the employees is established and disclosed to the public on the corporate web site. The Company has a written and advanced human resources policy. Code of ethics is also publicly available through the Company's web site. Norm Holding complies with the environmental laws. Corporate Social Responsibility and Sustainability studies are above average.

From the perspective of the principles regarding the **Board of Directors**, Norm Holding's tally is **8.92**. There is a well communicated Company mission and vision, and the Board fulfills all duties regarding Company needs. There is 1 female member in the 5-member Board of Directors. In addition, the Company has established a policy to achieve a minimum 25% female membership rate on the Board of Directors. Corporate Governance, Audit, Remuneration and Nomination, and Early Detection of Risk Committees are established within the Board of Directors. The working principles of the Committees are disclosed to the public via the corporate web site. A remuneration policy has been established for the members of the Board of Directors and senior executives. On the other hand, absence of an independent Board member and the fact that all benefits provided to the members of the Board of Directors and senior executives are not disclosed on individual basis are among the areas open for improvement under this heading.

## Rating Methodology

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

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

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

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

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


SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.20).

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

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

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

## Company Overview

Norm Holding A.Ş.	
	<b>Chairman of the Board of Directors</b> Mehmet Fatih Uysal <b>General Manager</b> Nedim Uysal
Atatürk Organize Sanayi Bölgesi 10007 Sok. No: 1/2/3 Çiğli 35620 Izmir, Turkey <a href="https://normholding.com/">https://normholding.com/</a>	<b>Secretary General</b> <b>Beste Demir Belet</b> Tel: + 90 (232) 376 7610 (2107) <a href="mailto:beste.demir@normholding.com">beste.demir@normholding.com</a>

Norm Holding was established in Izmir in 2017 to control the operations of various companies operating in different fields such as manufacturing of screws, bolts, nuts, threaded products, other fasteners, and wholesale trade of these products. The main shareholder of the Company is the Uysal Family, and as of the end of 2021, the number of employees is 2,895.

The partnership structure of Norm Holding, whose shares are not traded in any stock exchange, is as follows:

Norm Holding A.Ş. Partnership Structure
Nedim Uysal
Mehmet Fatih Uysal
Nedim Uysal
Duygu Uysal Simrooğlu

Norm Holding Board of Directors			
Members	Title	Executive	Independent
Mehmet Fatih Uysal	Chairman		
Nedim Uysal	Vice-chairman	√	
Duygu Uysal Simrooğlu	Member		
Muhittin Bilget	Member		
Ceyhun Araz	Member		

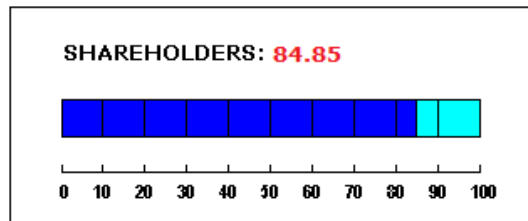
<b>Corporate Governance Committee</b>	
<b>Members</b>	<b>Title</b>
Mustafa DOĞRUSOY	Chairman (Board Advisor)
Ceyhun Araz	Member
Muhittin BİLGET	Member

<b>Audit Committee</b>	
<b>Members</b>	<b>Title</b>
Muhittin BİLGET	Chairman
Ceyhun ARAZ	Member
Mustafa DOĞRUSOY	Member (Board Advisor)

<b>Early Detection of Risk Committee</b>	
<b>Members</b>	<b>Title</b>
Erkut ULUDAĞ	Chairman (Board Advisor)
Muhittin BİLGET	Member
Mustafa DOĞRUSOY	Member
Mahmut ÖZTÜRK	Member
Caner MELEK	Member
Tevfik Gani ERPULAT	Member

<b>Remuneration and Nomination Committee</b>	
<b>Members</b>	<b>Title</b>
Nedim Uysal	Chairman
Mahmut Öztürk	Member
Filiz Ergin	Member

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Equal treatment of shareholders
+	General shareholders' meetings are conducted in compliance with the legislation
+	Studies and announcements prior to the general shareholders' meeting are satisfactory
+	Publicly disclosed dividend distribution policy
-	Privileges on Board nominations in the Articles of Association
-	Share transfers are subject to Board approval
-	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital

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

The relations of the Company with the shareholders are carried out by the Office of the General Secretariat.

Employees of the Secretariat are active and willing on exercise of corporate governance principles at the Company.

The "Office of the General Secretariat" plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the Company.
- To ensure the general shareholders' meeting is held in compliance with the applicable legislation, Articles of Association and other Company by-laws.
- To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Office of the General Secretariat submits a report to the Board of Directors on the activities conducted.

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

We did not come across to any hindering process or application within the rating period regarding the appointment of a special auditor at the request of shareholders.

All kinds of information about the Company are provided in a complete, timely, honest, and diligent manner and there is no fine/warning received in this regard.

The Company has established a disclosure policy and submitted to the general shareholders' meeting held on

October 3, 2022 and disclosed it to the public on its corporate web site.

### **1.3. Minority Rights:**

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

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

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

The announcement of the general shareholders' meeting held on October 3, 2022 was made without invitation in accordance with Article 416 of the TCC.

The Company has prepared a descriptive disclosure document on agenda items. The document 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.

Commencing from the date of announcement of invitation for the general shareholders' meeting, following documents are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the Company, and the electronic media.

- The Annual Report
- Financial statements and reports

- All other related documents pertaining to the agenda items
- The dividend distribution proposal

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.

As per the relevant documents, it was concluded that the chairman of the meeting made the preparations and obtained the necessary information for the execution of the meeting in accordance with the Turkish Commercial Code (TCC), Law and legislation.

The general shareholders' meeting covering the year 2021 activities was held at the Company headquarters.

It has been declared by the Company officials that the items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. The chairman ensured that every question asked by the shareholders at the meeting, which is not within the scope of trade secrets, is answered directly.

Agenda of the general shareholders' meeting included the proposal for the permission to be granted to shareholders who have control of the management, members of the Board of Directors, managers with administrative responsibility, their spouses and up to second degree blood relatives to execute transactions and compete with the Company and/or its affiliates, to make a commercial business transaction for himself or on

behalf of others or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility.

The members of the Board of Directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements were present to give necessary information and to answer questions at the general shareholders' meeting.

The attendance of the absolute majority of the Board of Directors to the general shareholders' meeting was deemed positive by us.

The Company has established a policy on donations and grants and submitted it for approval to the general shareholders' meeting where the year 2021 performance was discussed.

In addition, at the last general shareholders' meeting, shareholders were informed, with a separate agenda item, on the amount of all donations and grants, and the cap was set for the upcoming period.

There is no provision in the Articles of Association of the Company allowing the attendance to the general shareholders' meetings of those including stakeholders and media with no voting rights.

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

It has been concluded that all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

However, in the Articles of Association of the Company, there are clauses on privileges to nominate the Board of Directors, dividend privileges and voting privileges.

In the general shareholders' meeting, A group shareholders or their proxies have 15 votes for each share, B group shareholders or their proxies are entitled to 1 vote for each share.

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

The dividend policy of Norm Holding is clearly defined and submitted to the attention of the shareholders for approval at the general shareholders' meeting. The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

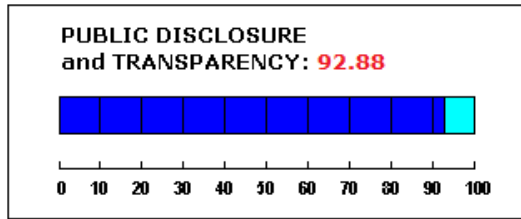
As per the dividend distribution document, it has been concluded that a balanced policy is followed between the interests of the shareholders and that of the Company.

Besides, the Articles of Association contain a provision on advance dividend payments.

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

It is stated in the Articles of Association that the transfer of shares will be carried out by the decision of the Board of Directors. In accordance with the Corporate Governance Principles, the shares must be freely transferable.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Comprehensive web site, actively used for public disclosure
+	Annual Report complies with the legislation, comprehensive and informative
+	Agreements and studies with the external audit firm are in compliance with the legislation
+	Extensive disclosure policy
+	Important events and developments disclosed in accordance with the legislation
+	Information contained on the web site exists also in English (exactly same with Turkish content) for the benefit of all stakeholders
-	All benefits provided to Board members and senior executives are not listed on individual basis
-	Financial statements and main ratio analysis not publicly disclosed
-	Ultimate controlling individual shareholders not publicly disclosed

#### 2.1. Corporate Web Site:

Company's web site ([www.normholding.com](http://www.normholding.com)) is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the Company's web site includes; the

disclosure policy, dividend distribution policy, work ethics rules of the Company, frequently asked questions including requests for information and responses thereof.

In this context, information on at least the last 2 years can be reached on the web site.

The information contained on the web site exists also in English for the benefit of international investors.

The Company's web site also includes; Corporate Governance Compliance Report, working principles of the Committees, the vision/mission of the Company established by the Board, news, sustainability reports, information on senior management, data security policy, stakeholder policy, policy on donations and grants, indemnity policy, remuneration policy, and the human resources policy.

On the other hand, 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 or cross shareholding relationships between co-owners is not disclosed to the public along with the privileges they hold. In addition, periodical financial statements and main ratio analysis are not included in the content of the web site.

#### 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 covers information such as;

- a. Period covered by the Report, the title of the Company, trade register number, contact information,
- b. The names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates),
- c. The sector in which the entity operates and information on its position in the sector,
- d. Qualifications of the production units, general explanations on sales, conditions of sale and yearly developments,
- e. Progress on investments,
- f. Other issues not included in the financial statements, but are beneficial for users,
- g. Information on number of personnel,
- h. Research and development activities,
- i. The dividend distribution policy,
- j. Company's risk management policies,
- k. Major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation, following issues also took place in the Annual Report;

- a. External duties of Board members and executives,
- b. Members of the Committees within the Board, activities carried out and

working principles of the Committees,

- c. The number of Board meetings held during the year and status of participation of the members,
- d. Major court cases against the Company and possible consequences,
- e. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results.

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. Information on privileged shares and number of shares, and related party transactions have also not been disclosed.

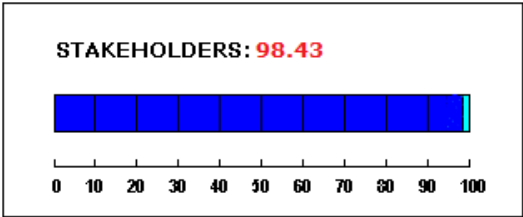
### **2.3. External Audit:**

The external audit of the Company is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of the globally recognized PwC Group.

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

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. Neither a consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services for the same period.

# SECTION 3: STAKEHOLDERS



SYNOPSIS	
+	Compensation provided in case of violation of the rights of stakeholders regulated by legislation and mutual agreements
+	Efficient Human Resources Policy
+	Code of ethics disclosed to the public
+	A written employee compensation policy established and disclosed to public on the web site
+	The Company complies with environmental laws. Corporate Social Responsibility and Sustainability studies are at a high level

### 3.1. Company Policy Regarding Stakeholders:

The Company has a holding status with a corporate identity operating in various sectors in Turkey. Policies regarding both the public and private sectors are quite advanced in line with such identity.

No significant or frequent case has been encountered regarding the violation of stakeholders' rights protected by legislation and agreements. It has been observed that the corporate governance practices of the Company are well off and the rights of stakeholders, which are regulated by

legislation and mutual agreements, are guaranteed.

A compensation policy for employees is established and included on the Company's web site.

The web site of the Company is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

In addition, it has been declared by the Company officials that procurements are realized through the bids collection and evaluation method.

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

As per the "Stakeholder Policy" of Norm Holding; In order to support the participation of stakeholders in the Company management, effective participation of employees in decision making processes is ensured by the "employee satisfaction survey" system. In line with the results of the biannual survey conducted to receive the opinions of the employees, suggestions for improving the operations and working conditions are evaluated in the action committees, and the suggestions considered applicable are taken into account during the determination of Company policies.

There is a "Suggestion System" platform, which was created to support the innovative and creative aspects of employees and where the owners of adopted suggestions are rewarded.

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

The Company has a written human resources policy, publicly disclosed on the corporate web site.

Within this scope, the Company offers equal opportunity to persons with the same qualifications in recruitment and career planning.

The criteria for recruitment are determined in writing and adhered to. Employees are treated equally with regard to their rights. Training programs are organized and training policies are developed to enhance the knowledge, skills, and conduct of personnel.

Decisions that may affect the employees are notified to them through the internal communication process.

Productivity is taken into account in determining the wages and other benefits of employees.

Measures such as procedures, trainings, awareness raising, targets, monitoring and complaint mechanisms are provided and the Company takes all precautions to prevent any discrimination on the basis of race, religion, language or gender as well as any attitudes towards employees that could physically, mentally or emotionally affect employees.

There is no union structured within the Company.

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

It has been concluded that the Company takes measures to ensure customer satisfaction while carrying out its activities.

Confidentiality of information about customers and suppliers is taken into

account within the scope of trade secret.

No evidence of non-market pricing was encountered in the activities of the Company.

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

The Company has prepared a set of code of ethics and announced these principles to the public on its web site.

Norm Holding has not been subject to any liability during the course of last year by the public administrations.

Relations with non-governmental organizations and social institutions are at a good level.

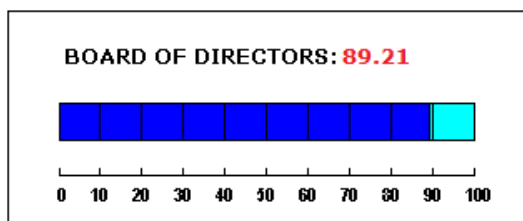
With the understanding of adding value to the society, the Company announced to the public through its corporate web site that it has developed various projects in order to develop the vision of the society in fields such as qualified education, culture and art and to build a brighter future for a particular community.

### **3.6 Sustainability:**

It has been observed that the Company has policies, internal regulations, targets, initiatives and campaigns in the fields of environment, nature, energy saving, recycling and education.

The sustainability report covering the activities of 2021 was disclosed to the public via the corporate web site.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The Board works efficiently and staffed with qualified members
+	Board of Directors meeting and decision quorum is defined in the Articles of Association
+	1 female Board member
+	Audit, Corporate Governance, Remuneration and Nomination, and Early Detection of Risk Committees are established
+	Company has established a "Female Member Policy", in which it sets a target rate and time for female members in the Board of Directors, provided that it is not less than 25%
+	Defects and damages caused by board members during the execution of their duties are insured
+	The remuneration policy of the members of the Board and senior executives is established and submitted to the General Shareholders' Meeting
-	Remuneration and all other benefits provided to Board members and executives with administrative responsibilities are subject to disclosure on an individual basis

The Board of Directors has defined the vision and mission of the Company and oversees if Company activities are managed in compliance with the legislation, Articles of Association,

internal procedures and established policies. Distribution of tasks between the members of the Board of Directors is explained in the Annual Report.

The Company's Board of Directors consists of 5 members, with one executive and no independent members.

With 1 female Board member, Norm Holding has established a "Female Member Policy", in which it sets a target rate and time for female members in the Board of Directors, provided that it is not less than 25%.

Corporate Governance, Audit, Remuneration and Nomination, and Early Detection of Risk Committees are established from within the Board of Directors.

Although the Chairman of the Board of Directors does not take part in the Committees, the Chief Executive Officer/General Manager serves in the Remuneration Committee.

The remuneration policy of the members of the Board of Directors and senior executives is established and submitted to the attention of the shareholders at the General Shareholders' Meeting and disclosed to the public via the corporate web site.

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

Strategic decisions of the Board of Directors aim to manage the Company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the Company. The Board administers and

represents the Company within these parameters.

The Board has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance.

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

It is concluded that the 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 Directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the Annual Report.

Chairman of the Board and chief executive/general manager's executive powers are clearly separated.

The Board of Directors plays a leading role in maintaining effective communication between the Company and the shareholders and settling any disputes which may arise.

Defects and damages caused by the Board members during the execution of their duties have been insured.

Analyzing the Company's organization, it has been concluded that there is no person with unlimited decision-making authority in the Company and this is considered as positive by us.

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

The Company's Board of Directors consists of five members of which one holds executive powers. Among the non-executive members there are no independent Board members to execute their duties without being influenced under any circumstances.

There is 1 female member in the Board of Directors. In addition, we consider it positive that the Company has established a "Female Member Policy", in which it sets a target rate and target time for female members in the Board of Directors, provided that it is not less than 25%.

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

The Board of Directors held 12 meetings in 2021 and 11 meetings in 2022. It was declared by the Company official that the entire Board members attended the meetings.

Chairman of the Board of Directors sets the agenda for Board meetings in consultation with other members and the CEO/general manager.

Information on the agenda items of the Board meetings is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member is entitled to a single vote. The meeting and decision quorums have been included in the Articles of Association of the Company.

The restriction regarding the members to take on external duties is specified in the internal directive of the Board of Directors. Members of the Board of Directors' permission to operate in accordance with Article 395 and Article 396 of the Turkish Commercial Code was submitted to the information of the shareholders at the general shareholders' meeting.

In addition, the conduct of the Board of Directors meetings is documented in internal regulations of the Company.

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

Corporate Governance, Audit, Remuneration and Nomination, and Early Detection of Risk Committees are established from within the Board of Directors in order to fulfill its duties and responsibilities. In addition to the mandatory Committees, Sustainability, Investment, Business Development, Digital Transformation, Financial Affairs and Finance Committees are also established within the Company.

Functions of the Committees, their working principles, and its members are designated by the Board of Directors and disclosed to the public on the corporate web site.

Although the Chairman of the Board of Directors does not take part in the Committees, the CEO/general manager takes part in one of the mandatory Committees (Remuneration and Nomination Committee).

All necessary resource and support needed to fulfill the tasks of the Committees are provided by the Board of Directors.

The meeting frequency of the Committees was found sufficient by us. In 2022, Corporate Governance Committee held 5 meetings, Audit Committee met 6 times, Early Detection of Risk Committee 3 times, and the Remuneration and Nomination Committee convened once.

The Audit Committee;

- Supervises the operation and efficiency of the Company's accounting system, external and internal audit systems,

- Determines the methods and criteria to be applied on reviewing complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them,
- Following taking the opinion of responsible managers and the external auditor, notifies the Board in writing on whether the annual and interim statements are in accordance with the Company's accounting principles, true and accurate,
- Immediately notifies the Board in writing on findings related to their duties and responsibilities and the related assessment and recommendations.

In the Annual Report, it is stated that the Audit Committee notifies the Board of Directors every quarter during the accounting period.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the Board and ends with the Board's choice being presented and approved at the general shareholders' meeting.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the Board of Directors.

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

result of not performing the executives' duties duly.

#### **4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:**

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.

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

We are convinced that the executives have the required professional qualifications in order to perform the assigned duties. Executives 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 the executives is based on market conditions and determined according to their qualifications, and proportional to their contributions to the performance of the Company.

An insurance policy has been taken out on compensation for losses incurred by the Company, and third parties, as a

## Rating Definitions

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

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