SAHA

Corporate Governance and Credit Rating Services, Inc.

# Corporate Governance Rating Report

LİDER FAKTORİNG

**28 July 2023**

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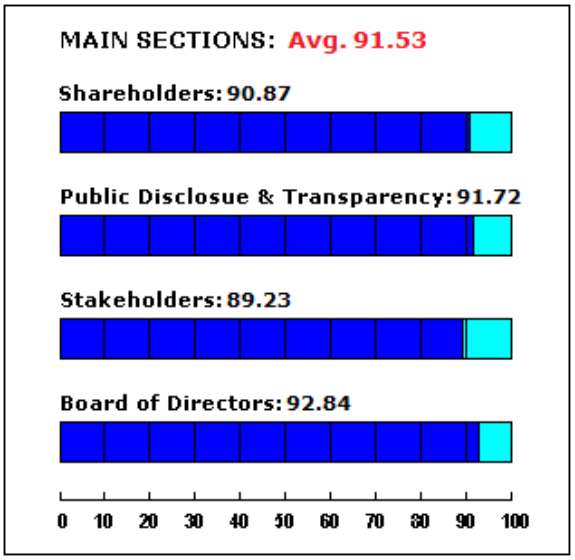
# Rating and Executive Summary

## LİDER FAKTORİNG A.Ş.

SAHA
Corporate Governance Rating:

**9.15**

WORLD CORPORATE GOVERNANCE INDEX Group 1




## EXECUTIVE SUMMARY

Lider Faktoring A.Ş.'s ("Lider" or "the Company") previous Corporate Governance Rating of 9.15 dated July 29, 2022 is hereby reconfirmed as **9.15**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

The Company's corporate governance rating is confirmed as above in consideration with the importance given by Lider to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements which had been initiated in this direction within the period since the allocation of the previous rating.

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.. Lider 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 July 12, 2023 can be accessed at http://www.saharating.com.

Lider is rated with **9.09** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other in-house rules and regulations, and measures have been taken to ensure the exercise of these rights. Lider carries out the investor relations obligations through 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 dividend policy of the Company. There are no restrictions on transfer of shares. On the other hand, there are areas for improvement like adoption as it is, of the rate of minority rights in the Company's Articles of Association as prescribed for public joint stock companies (%5) and determination of at least half of the members of the Board of Directors only by the holders of Group A shares.

Lider attained **9.17** under the **Public Disclosure and Transparency** chapter. The Company has a comprehensive web site. Public announcements are carried out via all communications channels and are in accordance with the Capital Markets Board (CMB) and Borsa Istanbul (BIST) rules and regulations. The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been disclosed to the public through PDP (Public Disclosure Platform) in accordance with the legislation, and included in the Annual Report. The agreement and work conducted with the external auditor also complies with the legislation. 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 disclosed to the public along with the privileges they hold. However, non-disclosure of the benefits provided to Board members and senior management on individual basis is an area in need of further refinement.

On the topic of **Stakeholders**, Lider scored **8.92**. Lider 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 is established and disclosed to the public on the Company's web site. The Company has a written and advanced human resources policy. Code of ethics is publicly available through the corporate web site. During the rating period, the Company was not held liable by any public authority for any sanctions. The Company complies with environmental laws, however Corporate Social Responsibility and Sustainability studies can be further improved.

From the perspective of the principles regarding the **Board of Directors**, Lider's tally is **9.28**. There is a well communicated Company mission and vision. The Board of Directors fulfills all duties regarding Company needs. The Board of Directors consists of 7 members, of which 2 of are independent. A Corporate Governance Committee, an Audit Committee, and an Early Detection of Risks Committee are established within the Board of Directors. The working principles of the Committees are disclosed to the public. Principles of remuneration of Board members and senior executives are included on the corporate web site. There are 3 female members on the Board of Directors.

# 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 the 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 338 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.22).

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

| LİDER FAKTORİNG A.Ş. | |
|---|---|
| LİDER FAKTORİNG | **CHAIRMAN OF THE BOARD**<br>Nedim MENDA<br><br>**GENERAL MANAGER**<br>Can GÜNEY |
| **Headquarters:** Büyükdere Cad. Maya Akar Center 100-102 Kat:25 Esentepe/Şişli/ Istanbul<br>www.liderfaktoring.com.tr | **Director Responsible for Shareholder Relations & Assistant General Manager of Corporate Finance**<br>Sven Atakan SEVIM<br>Tel: (0212) 212 93 84<br>asevim@liderfaktoring.com.tr |

Founded in 1992, Lider Faktoring A.Ş. ("Lider Faktoring") is a factoring company operating only in Turkey.

Lider Faktoring's current shareholding structure is as follows;

| Shareholding Structure of Lider Faktoring | | | |
|---|---|---|---|
| **Shareholders** | **Share in Capital (TL)** | **Share in Capital (%)** | **Voting Rights (%)** |
| NEDİM MENDA | 73,901,625.00 | 29.12 | 29.12 |
| JAK SUCAZ | 54,281,475.00 | 21.39 | 21.39 |
| REFKA B. ADATO | 15,830,779.23 | 6.24 | 6.24 |
| OTHER | 109,786,120.77 | 43.25 | 43.25 |
| **TOTAL** | **253,800,000.00** | **100.00** | **100.00** |

According to the data of the Association of Financial Institutions, Lider Faktoring has been in the first place among all factoring companies in terms of domestic transaction volume since 2009.

Lider Faktoring, whose portfolio consists mostly of industrial SMEs, offers practical solutions to its more than 35 thousand customers in the field of domestic receivables financing with its 15 branches and a professional team of more than 185 people.

Lider Faktoring was offered to the public in 2014 and its free float rate is 40.08%. Public shares of the Company are traded under "LIDFA" code at Borsa Istanbul Outright Purchases and Sales (among Qualified Investors) / main markets and Lider is a constituent of BIST LEASING, FACTORING (XFINK), BIST FINANCIALS (XUMAL), BIST MAIN (XBANA), BIST CORPORATE GOVERNANCE (XKURY), BIST ALL SHARES-100 (XTUMY) and BIST ALL SHARES (XUTUM) indices.

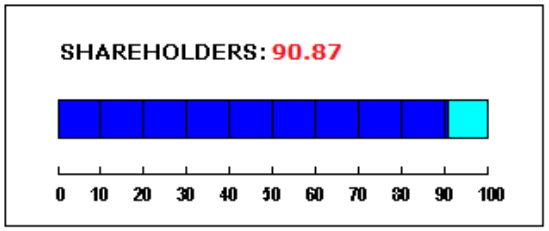
As discussed, and decided by majority of votes at the General Shareholders' Meeting held on March 23, 2023;

No profit distribution will take place for the 2022 accounting period in order to support the expanding balance sheet. Following the allocation of primary reserves, remaining amount will be transferred to extraordinary reserves.

The composition of the Board of Directors of the Company is as follows:

| **Board of Directors of Lider Faktoring** | | |
|---|---|---|
| **Name** | **Title** | **Status** |
| Nedim Menda | Chairman | Non-executive |
| Jak Sucaz | Vice-chairman | Non-executive |
| Raşel Elenkave | Member | Non-executive |
| Can Güney | Member / General Manager | Executive |
| Ayşe Bayoğlu | Member | Executive |
| Mehmet Şükrü Tekbaş | Independent Member<br>Corporate Governance Committee Chairman<br>Audit Committee Member<br>Early Detection of Risks Committee Member | Non-executive |
| Rahime Alev Dumalı | Independent Member<br>Audit Committee Chaiworman<br>Early Detection of Risks Committee Chairwoman<br>Corporate Governance Committee Member | Non-executive |

# SECTION 1: SHAREHOLDERS




| SYNOPSIS | |
|---|---|
| + | Equal treatment of shareholders. |
| + | Unrestricted shareholder rights to review and receive information. |
| + | General shareholders' meetings are conducted in compliance with the legislation. |
| + | No privileges on voting rights. |
| + | Preparation and disclosure prior to general shareholders' meetings are satisfactory. |
| + | Disclosure policy established and disclosed to the public. |
| = | Only the transfer of A Group of shares is subject to the approval of the Board of Directors. |
| = | Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital. |
| = | Articles of Association do not contain a provision permitting general shareholders' meetings to be conducted open to public. |
| - | Group A shares have the privilege of nominating candidates for the Board of Directors. |

In order to facilitate the exercise of shareholders' rights an "Investor Relations Department" has been established and working actively.

No upper limit has been imposed on the voting rights of any shareholder and each share is entitled to one vote. However, at least one more than half of Board members must be elected at the general shareholders' meeting among A group shareholders or candidates nominated by A group shareholders.

In terms of minority rights, Company has adopted as it is the rate foreseen in the legislation for public companies (5%).

General shareholders' meetings are held in accordance with the legislation and conducted in a manner where shareholders' rights are not violated. Disclosures prior to the general shareholders' meetings are found satisfactory.

The Company has a clearly defined and consistent dividend policy. It is disclosed to the public in the Annual Report, and on the corporate web site.

There are no restrictions on free transfer of publicly held Lider shares. However, there are certain restrictions on the transfer of A Group of shares.

Despite the absence of a provision in the Articles of Association allowing stakeholders and media to attend the general shareholders' meetings with no voting rights, no difficulties were observed in practice.

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

The Company carries out the investor relations obligations through Investor Relations Department.

Employees of this department are active and willing on exercise of corporate governance principles.

Along with other units of the Company, the "Investor Relations Department" 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;

a. 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.

b. To respond to the queries of the shareholders requesting written information on the Company.

c. To ensure the general shareholders' meeting is held in compliance with the applicable legislation, Articles of Association and other Company by-laws.

d. To prepare the documents that might be used by shareholders in the general shareholders' meeting.

e. To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Investor Relations Department submits a report to the Board of Directors at least once a year on the activities conducted.

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

Company's Assistant General Manager Responsible of Corporate Finance, Mr. Sven Atakan Sevim is the holder of Capital Market Activities Level 3 License as per the Corporate Governance Principles Communiqué. The Company's free float rate is 40.08%.

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

There is no evidence of any hindering process or application 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 direction.

The Company has established a disclosure policy and disclosed it to the public on its web site. However, this policy has not yet been submitted to the attention of the General Shareholders' Meeting.

**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:**

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 general shareholders' meeting held on March 23, 2023 is performed through all means of communication available to the Company on March the 1st 2023 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.

Besides, the Company has prepared a descriptive disclosure document on agenda items.

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,

Following issues were informed to the shareholders prior to the general shareholders' meeting via the corporate web site;

- Total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, number of shares and voting rights reflecting the privileged share group within the Company capital, and the nature of the privileges,
- 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.

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.

General shareholders' meetings take place at the Company headquarters.

As per the minutes of the general shareholders' meeting; 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 made sure that each question is answered directly at the meeting provided that they do not constitute a trade secret.

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

Also, at this meeting, shareholders are informed, with a separate agenda item, on the amount of all donations and grants took place within the period.

The Articles of Association of the Company do not contain a clause on attendance of those including stakeholders and media with no voting rights to the general shareholders' meetings. However, no major obstacles were witnessed in practice.

General shareholders' meeting is attended by the representative of the external auditor.

### 1.5. Voting Rights:

At Lider Factoring all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and the Company avoids applications that make it difficult to exercise voting rights. There are no voting privileges, however holders of Group A shares possess the nomination privilege.

### 1.6. Dividend Rights:

The dividend policy of Lider Factoring is clearly defined. It is submitted to the shareholders' approval at the general shareholders' meeting and disclosed to the public on the Company's web site. The Company's dividend distribution policy contains minimum 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.

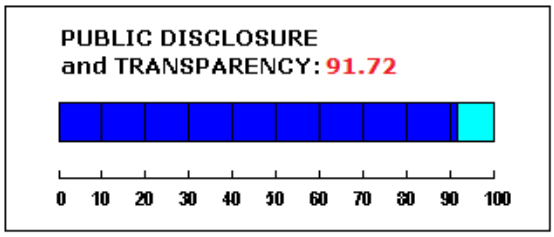
The Articles of Association contain a provision on advance dividend payments.

### 1.7. Transfer of Shares:

Concerning the transfer of shares; there are no restrictions on B and C Group of shares, but the transfer of Group A shares is restricted by Article 7 of the Articles of Association.

The transfer of A Group of registered shares which are not traded at Borsa Istanbul to natural and legal persons other than legal heirs and founders is subject to the approval of the Board of Directors.

# SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY




| SYNOPSIS | |
|---|---|
| + | Comprehensive web site, actively used for public disclosure. |
| + | Annual Report complies with the legislation, comprehensive and informative. |
| + | Agreement and studies conducted with external auditors comply with the legislation. |
| + | List of ultimate controlling individual shareholders are disclosed to the public. |
| + | The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been prepared and disclosed to the public in accordance with the relevant legislation provisions. |
| = | English version of the web site can be improved. |
| - | Benefits provided to Board members and senior management is not mentioned on individual basis. |

Company's web site is comprehensive and user friendly. The site is also prepared in English for the benefit of international investors.

Public announcements are carried out in accordance with the CMB and BIST rules and regulations. The Annual Report is comprehensive and complies with the legislation.

There has been no legal conflict between the Company and the external audit firm. 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.

The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been prepared and disclosed through the Public Disclosure Platform (PDP) at least three weeks prior to the general shareholders' meeting.

Whereas non-disclosure of all benefits provided to Board members and senior management on individual basis in the Annual Report stands out as an issue to be developed.

### 2.1. Corporate Web Site:

Company's web site (www.liderfaktoring.com.tr) is actively used for disclosure purposes and the information contained herein is continuously updated.

Along with the information required to be disclosed pursuant to the legislation, the Company's 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, Annual Reports, periodical financial statements, 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 including requests for information, questions and notices, and responses thereof.

In this context, information on at least the last 5 years can be reached on the web site.

With the exception of material disclosures and footnotes, the Company also discloses financial statements on PDP and simultaneously in English in accordance with the Capital Markets legislation.

The information contained on the web site exists also in English for the benefit of international investors and even though it is similar to the Turkish content, further improvements can be applied.

The Company's web site also includes; investor presentations, working principles of the Committees, important Board decisions under the heading of announcements, the vision/mission of the Company established by the Board, information on capital increases and dividend payments, news, general shareholders' meeting internal guidelines, information on senior management, financial data, main ratio analysis, web site privacy/security policy and the human resources policy.

However, a timetable on events/developments which considers investors and corporate social responsibility reports are not included on 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 it covers information such as;

a. Period covered by the report, the title of the Company, contact information,

b. The names of the chairman and members served on the Board and the committees during the covered period,

c. Qualifications of the Company's units, general explanations related to their activities and performances, and yearly developments,

d. Changes and justifications on the Articles of Association during the period,

e. Corporate Governance Principles Compliance Report,

f. Corporate Governance Compliance Report and the Corporate Governance Information Form,

g. Information on related party transactions,

h. Other issues not included in the financial statements, but are beneficial for users,

i. Company's organization, capital and ownership structure,

j. Benefits provided to staff and workers, information on number of personnel,

k. The dividend distribution policy,

l. Explanations on privileged shares,

m. Basic ratios on the financial position, profitability and solvency,

n. Company's financing resources and risk management policies.

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

a. Information on external duties of Board members and executives,

b. Members of the Committees within the Board,

c. Number of Board meetings held during the year and participation status of the members,

d. Major court cases against the Company and possible consequences,

e. Disclosure of the fact that there is no cross shareholding in excess of 5% of the capital,

f. Application status of the corporate governance principles as required by the CMB communiqué, explanations on reasons behind any non-compliance.

g. Rating results.

On the other hand, benefits and vocational training of employees, and other Company activities that give rise to social and environmental results, working principles of the Committees along with the scope of their activities, and the assessment of the Board of Directors on the Committees are not mentioned sufficiently. In addition, declaration of independence of independent Board members, and all benefits provided to Board members and senior management on individual basis are not included. These are the areas in need of improvement.

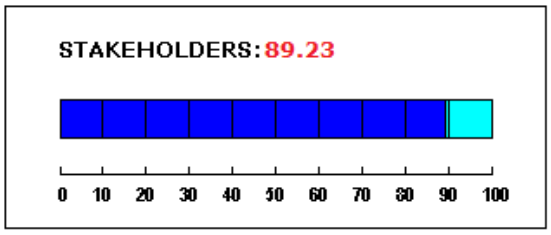
**2.3. External Audit:**

The external audit of the Company will be conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (PwC).

There has not been a 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 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 during the same period.

# SECTION 3: STAKEHOLDERS




| SYNOPSIS | |
|---|---|
| + | Measures to safeguard stakeholders' rights are facilitated. |
| + | Efficient Human Resources policy. |
| + | Code of ethics disclosed to the public. |
| + | Company is socially and environmentally sensitive and respectful. |
| + | Social Responsibility and Sustainability policies established. |
| + | There are written regulations supporting participation of stakeholders in management. |
| + | A written employee compensation policy is established and disclosed to the public on the web site. |
| = | Incentive models regarding the participation of stakeholders in the management of the Company do exist, but are not mentioned in the Articles of Association. |

### 3.1. Company Policy Regarding Stakeholders:

We have not come across a significant or repetitive situation in which the rights of stakeholders established by any law or agreement are not recognized.

We have come to the conclusion that the corporate governance structure of the Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

Additionally, as per the Corporate Governance Principles, a written employee compensation policy is established and disclosed to the public on the Company's web site.

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

Lider Faktoring is receives the views of stakeholders through channels such as "Information Request Form" on its web site, by e-mail, fax and regular mail and also through the intermediary of call center, branches and social media thanks to a central platform integrated into the system.

Moreover, participation of employees in management is always encouraged, innovative ideas aimed at improving and expanding the work are submitted to the related management functions through a suggestion system and evaluated carefully.

A separate model for participation of stakeholders in management is not developed. However, it has been declared via the Annual Report that representation of shareholders and other stakeholders in management is carried out by two independent Board members.

### 3.3. Company Policy on Human Resources:

Lider Faktoring has developed advanced human resources regulations and procedures. With respect to specific country standards, we have come to the conclusion that the Company has established a human resources policy which ensures equal opportunity, social rights, and sound career planning.

During recruitment Lider Faktoring adopts the principle of offering opportunities under equal conditions. Recruitment criteria are determined in writing on a title basis.

Based on the same principle of equality during pay rise periods, the Company determines the rate of rise on an employee basis after evaluating the annual inflation rate and the employee's performance throughout the year. Lider Faktoring's performance evaluation process is based on employees' performance according to impartial criteria and their capability to adopt the Company's common culture, values and service approach.

Lider seeks to meet its need for personnel primarily from its own human resources. In its decisions for training, appointment and promotion, the Company takes care to protect its own benefits in line with this criterion. Lider Faktoring offers a safe working environment and conditions to its employees. The Company also maintains its efforts to improve these conditions in line with rising social and technological needs.

Special training programs are held in-house or outside the Company at least twice a year by taking employees' needs and the market conditions of the period into account, in order to support employees' achievements through continuous and appropriate training programs, to contribute to their personal and professional development and to help them improve their occupational skills. In addition, the participation of the personnel in courses, panels and similar organizations is regularly ensured within the framework of an annual training plan.

In cases which management reshuffle could cause disruptions, no succession planning for determination of newly appointed managers is established.

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

Information on customers and suppliers are filed and care is taken on the confidentiality of information within the framework of protection of trade secrets. No evidence has been encountered on non-market pricing of goods and services of the Company.

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

The ethical rules are documented and publicly disclosed through the corporate web site. These rules are also approved by the Board of Directors in its entirety.

The Company has not been subject to any significant sanctions by the public administrations during the course of last year.

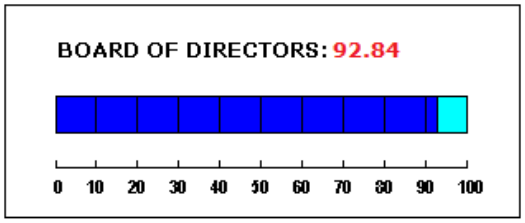
There is room for improvement in Lider Faktoring's relations with non-governmental organizations and public social institutions.

**3.6. Sustainability:**

A management view is generated to determine the general framework of the social and environmental management system, and the basic principles of which the Company have to comply with in this scope. By compliance with related standards, it is intended to also meet the obligations arising from regulations issued by legal and regulatory authorities. Along with the standards included within, this view is in a complementary nature with other corporate governance policies and procedures of the Company.

Likewise, the Company has established a Sustainability, Environmental and Social Responsibility Policy. Corporate Governance, Sustainability, Environmental Liability, Corporate Responsibility and Transparency titles are redefined in this policy.

# SECTION 4: BOARD OF DIRECTORS




| SYNOPSIS | |
|---|---|
| + | The Board is staffed with effective and highly qualified members. |
| + | Board of Directors meeting and decision quorum is defined in the Articles of Association. |
| + | Each Board member is entitled to a single vote. |
| + | 2 independent members on the Board. |
| + | Audit, Corporate Governance and Early Detection of Risks Committees established and operating. |
| + | Principles of remuneration of Board members and senior executives are established and disclosed to the public. |
| + | 3 female members on the Board. |
| + | Conduct of the Board of Directors meetings is defined in the Articles of Association. |

The Board of Directors has defined the vision and mission of the Company and is overseeing that 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 included in the Annual Report.

The Company's Board of Directors is composed of 7 members of which 2 are executive and 2 are independent. Capital Markets Board (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.

There are 3 female Board members. Corporate governance principles' advisory target of 25% female membership rate has been met.

Corporate Governance, Audit and Early Detection of Risks Committees are established from within the Board of Directors and their working procedures are disclosed to the public.

We have come to a conclusion that all three Committees are working effectively. All members of the Committees are elected among the independent Board members.

The CEO/general manager and the chairman of the Board are not on the Committees. There are no executive members on the Committees.

Principles of remuneration of Board members and senior executives are included on 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 with a view to the long-term interests of the Company, conduct a rational and cautious risk management approach. 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.

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

We have come to a conviction 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 various 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, is explained in the Annual Report.

The executive powers of the chairman of the Board of Directors and the CEO/general manager should be clearly separated through the Articles of Association.

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 that may be caused by the Board members during the execution of their duties have been insured with a coverage exceeding 25% of the capital of the Company, and disclosed on PDP via the Annual Report.

Analyzing the Company's organization, it is seen that there is no person at Lider Faktoring who has unlimited authority to take decisions alone and this is considered as positive by us.

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

Company's Board of Directors is composed of 7 members and 2 of them are executive. There are 2 independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates including the proposals of the Board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the Board for its approval. 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.

There are 3 female members on the Board. This exceeds the Corporate Governance Principles' advisory target of minimum 25% female Board membership rate.

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

The Board of Directors held 42 meetings in 2022, with an attendance rate of 75%.

Chairman of the Board of Directors sets the agenda for Board meetings in consultation with other members of the Board and the CEO/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 by a coordinated flow of information. Each member of the Board has a right to one vote.

The meeting and decision quorums have been included in the Articles of Association of the Company. In addition, Board meetings can also be held in a remote access system.

The conduct of the Board of Directors meetings is defined in writing in the Articles of Association of the Company.

There are no limitations introduced for the members taking on additional duties outside the Company. However, actually only the independent members carry on external duties. The external duties and grounds of the Board members are presented to the general shareholders' meeting via the Annual Report, where their nomination is discussed, with a distinction between intra-group and out-group activities.

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

A Corporate Governance Committee, an Audit Committee, and a Committee for Early Detection of Risks are established from within the Board of Directors in order to fulfill its duties and responsibilities.

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

All members of the Audit Committee and the chairmen of the other 2 Committees are elected among the independent Board members. The CEO/general manager and the chairman of the Board are not on the Committees. Care has been taken that a non-independent Board member cannot be on more than one Committee. As per CMB principles, Mr. Sven Atakan Sevim is serving in the Corporate Governance Committee.

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

With the exception of the Corporate Governance Committee, meeting frequency of the Committees has been found sufficient by us. Within the 2022 operating period, Corporate Governance and Early Detection of Risks Committee held 6 meetings each, and the Audit Committee convened 4 times.

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 reasons 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. In addition, it oversees the work of the investor relations unit.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews 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, immediately notifies the Board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the Company and the external auditor, notifies the Board in writing on whether the annual and interim statements disclosed to the public is in accordance

with the Company's accounting principles, true and accurate.

In addition, it has been concluded that the Audit Committee members possess the qualifications mentioned in the communiqué.

The Annual Report contains information on working principles of the Audit Committee and the number of written notifications to the Board of Directors during the accounting period.

The external audit of the Company will be conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

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.

Early Detection of Risks Committee 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.

The tasks of Nomination and Remuneration Committees are carried out by the Corporate Governance Committee. In this context, it has been observed that the Corporate Governance Committee works on the determination of independent candidates and the remuneration policy.

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

The principles of remuneration of Board members and senior executives has been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting.

remuneration policy prepared for this purpose can be found on Company's web site. Stock options or performance-based payments are not included in the remuneration package of the independent Board members.

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 have come to conclusion that the executives have the required professional qualifications in order to perform the assigned duties.

The executives comply with the legislation, Articles of Association, and in-house regulations and policies in fulfilling their duties.

There has 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.

Company officials declared that there is an insurance policy on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly.

In addition, the orientation process for newly appointed managers has been determined in writing in the personnel regulation.

# Rating Definitions

| Rating | Definition |
|---|---|
| **9 - 10** | The company performs **very good** 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 **good** 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 **fair** 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. |
| **4 - 5** | The company performs **weakly** 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 **very weakly** 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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