



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



19 November 2020

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	9
Minority Rights	9
General Shareholders' Meeting	9
Voting Rights	10
Dividend Rights	11
Transfer of Shares	11
SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY	12
Corporate Web Site	12
Annual Report.	13
External Audit.	14
SECTION 3: STAKEHOLDERS.	15
Company Policy Regarding Stakeholders	15
Stakeholders' Participation in the Company Management	15
Company Policy on Human Resources	16
Relations with Customers and Suppliers	17
Ethical Rules & Social Responsibility	17
Sustainability	18
SECTION 4: BOARD OF DIRECTORS.	19
Functions of the Board of Directors	19
Principles of Activity of the Board of Directors	20
Structure of the Board of Directors	20
Conduct of the Meetings of the Board of Directors	20
Committees Established Within the Board of Directors	21
Remuneration of the Board of Directors and Managers With Administrative Responsibility	22
Rating Definitions	23
Disclaimer	24

Rating and Executive Summary

Pınar Entegre Et ve Un Sanayii A.Ş. (PETUN)

 **SAHA**
Corporate Governance Rating:

9.36



MAIN SECTIONS: **Avg. 93.56**

Shareholders: 89.34



Public Disclosure & Transparency: 95.05



Stakeholders: 98.33



Board of Directors: 93.47



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

The Corporate Governance Rating of 9.35 that has been assigned to Pınar Entegre Et ve Un Sanayii A.Ş. (Pınar Et) on November 19, 2019 is hereby revised as **9.36**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

The Company's corporate governance rating is revised as above in consideration with the importance given by Pınar Et to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and studies which had been initiated in this direction since 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.. Pınar Et is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on October 8, 2019 can be accessed at <http://www.saharating.com>.

Pınar Et is rated with **8.93** 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. Company carries out the investor relations obligations through the Investor Relations Department. 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 as prescribed for public joint stock companies (%5), absence of a provision in the articles of association allowing the attendance of those including stakeholders and media to the general shareholders' meetings with no voting rights and existence of privileges on nomination of candidates to the board of directors.

Pınar Et attained **9.51** under the **Public Disclosure and Transparency** chapter. The Company has a comprehensive web site. Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul (BIST) rules and regulations. The annual report complies with the legislation, comprehensive and informative. The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been disclosed to the public through Public Disclosure Platform (PDP) in accordance with the legislation, and access details is included in the Annual Report. The agreement and work conducted with the external auditor also complies with the legislation. Nevertheless, 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 along with the privileges they hold and again non-disclosure of the benefits provided to board members and senior management on individual basis are areas in need of further refinement.

On the topic of **Stakeholders**, Pınar Et scored **9.83**. In case of violation of stakeholders' rights drawn up in line with the legislation and mutual agreements, Pınar Et enables an effective and speedy compensation. 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 a human resources policy. Code of ethics is publicly available through the Company's web site. Pınar Et complies with environmental laws and Corporate Social Responsibility and Sustainability studies are at satisfactory levels.

From the perspective of the principles regarding the **Board of Directors**, Pınar Et's tally is **9.35**. The board of directors fulfills all duties regarding Company needs. The board of directors consists of 7 members and 2 of them are independent. A Corporate Governance, an Audit, and an Early Detection of Risk Committees are established within the board of directors. Duties of the Nomination and Remuneration Committees are performed by the Corporate Governance Committee. 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 2 female members on the board of directors. On the other hand, benefits provided to board members and senior executives are mentioned collectively, but as far as principles are concerned a list on individual basis is essential.

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 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.23).

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

PINAR Entegre Et ve Un Sanayii A.Ş.	
	<p>CHAIRPERSON OF THE BOARD Emine Feyhan Yaşar</p> <p>GENERAL MANAGER Tunç Tuncer</p>
<p>Headquarters: Kemalpaşa Osb Mahallesi 503 Sk. No:224 Kemalpaşa - İZMİR www.pinar.com.tr</p>	<p>Investor Relations Department Manager Tolga Bağcı Tel: (0232) 877 09 00 yatirimciiliskileri@pinaret.com.tr</p>

Pınar Et, established in 1985, is among the leading brands of the food industry. The main line of activity of Pınar Entegre Et ve Un Sanayii A.Ş. is production of meat and by-products of cattle, sheep, poultry and fish along with frozen dough products and ready-made meals. Pınar Et produces in accordance with the Turkish Food Codex and EU standards. The average number of employees in 2019 was 751. The Company offers its customers about 350 types of products in 6 categories.

Company shares are traded under "PETUN" code at BIST Stars Market and Pınar Et is a constituent of BIST 100 (XU100), BIST ALL SHARES (XUTUM), BIST DIVIDEND (XTMTU), BIST INDUSTRIAL (XUSIN), BIST 100-30 (XYUZO), BIST İZMİR (XSİZM), BIST FOOD, BEVERAGE (XGIDA), BIST CORPORATE GOVERNANCE (XKURY) and BIST STARS (XYLDZ) indices.

The following resolution was reached at the general shareholders' meeting held on March 25, 2020;

Since TL 46,193,588 of net profit of the Company for the year 2019 in the audited financial statements prepared in accordance with the International Financial Reporting Standards has reached to the legal limit, the net distributable profit for the period was calculated as TL 46,193,588, without allocating any General Legal Reserve. It has been decided that, out of the distributable profit computed as such and taking into account the donations of TL 1,903,749 made during the reporting period, TL 9,619,467 corresponding to 20% of the distributable profit be distributed to shareholders as First Dividend as per the CMB arrangements; that, from the balance, Second Dividend in the amount of TL 29,382,033 be distributed to shareholders, which, together with the First Dividend, will amount to 76.50% of the Company's nominal issued capital (TL 43,335,000) (total amount of First and Second Dividends being TL 33,151,275); Second Legal Reserves in the amount of TL 3,967,797 be set aside, and the remaining amount be allocated in its entirety as Extraordinary Legal Reserves, the dividend payments will be paid in installments,

and the board of directors be authorized to determine the number of installments and the payment time.

It has been decided by the board of directors to pay dividends in two installments, and the first installment has been paid. The Company is planning to pay the second installment on December 31, 2020.

The capital structure of the Company as of the date of the report is as follows:

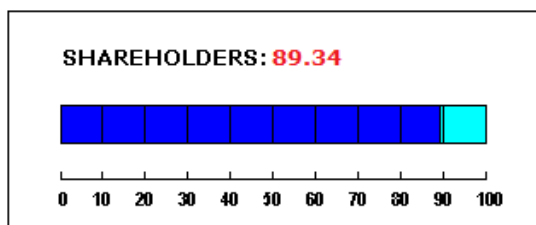
Pınar Entegre Et ve Un Sanayii A.Ş. Capital Structure		
Shareholder	Share Value (TL)	Share %
Yaşar Holding A.Ş.	23,476,894.91	54.18
Pınar Süt Mamulleri Sanayii A.Ş.	5,451,752.25	12.58
Other	14,406,352.84	33.24
Total	43,335,000.00	100.00

Pınar Et's major subsidiaries and shares held;	
Çamlı Yem Besicilik Sanayi Ve Tic. A.Ş.	23.39%
Desa Enerji Elektrik Üretim A.Ş.	26.41%
Yaşar Birleşik Pazarlama Dağıtım Turizm Ve Ticaret A.Ş.	42.78%
PINAR FOODS GmbH	44.94%

The board of directors of the Company is composed as follows:

Pınar Entegre Et ve Un Sanayii A.Ş. Board of Directors		
Name	Title	Executive / Independent
Emine Feyhan Yaşar	Chairperson	Non-executive
İdil Yiğitbaşı	Vice-chairperson	Non-executive
Mustafa Selim Yaşar	Board Member	Non-executive
Yılmaz Gökoğlu	Board Member Early Detection of Risk Committee Member Corporate Governance Committee Member	Non-executive
Cengiz Erol	Board Member Early Detection of Risk Committee Member Corporate Governance Committee Member	Non-executive
Kemal Semerciler	Board Member Corporate Governance Committee Chairperson Audit Committee Chairperson Early Detection of Risk Committee Chairperson	Independent
Sezai Bekgöz	Board Member Audit Committee Member	Independent

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders.
+	Active investor relations department.
+	General shareholders' meetings are conducted in compliance with the legislation.
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory.
+	Publicly disclosed dividend policy.
+	No restrictions on transfer of shares.
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital.
-	Existence of privileges in the articles of association on nomination of candidates to the board of directors.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

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

Employees of this unit are competent, active and willing on exercise of corporate governance principles at the Company.

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;

- 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.

Investor Relations Department submits a report to the board of directors at least once a month on its conducted activities.

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

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 or warning received in this regard.

Pinar Et has established a disclosure policy and disclosed to the public on its corporate web site. This policy was submitted to the attention of the shareholders at the general shareholders' meeting held on year 2012.

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 25, 2020 is performed through all means of communication available to the Company on March the 2nd, 2020 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.

In addition, a descriptive disclosure document on agenda items has been prepared.

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,
- Dividend Distribution Proposal,
- CGIF and CRF.

Shareholders are informed of the following issues 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.

It has been concluded that the chairperson of the meeting has made

the necessary preparations for the execution of the general shareholders' meeting in accordance with the Turkish Commercial Code, the Law and the legislation.

The general shareholders' meeting of the year 2019 was held at the factory of Pınar Süt.

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 chairperson of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. The chairperson 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 those issues of a special nature on the agenda, other related persons, 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.

Attendance of the absolute majority of the board members to the general shareholders' meeting is deemed positive by us.

The Company has established a policy on donations and grants and

submitted it to the approval of shareholders at the general shareholders' meeting in which the operating period of 2015 was discussed.

Furthermore, at the last meeting, shareholders were informed, with a separate agenda item, of amount and beneficiaries on all donations and grants effectuated during the reporting period and the distribution cap was set for next year.

General shareholders' meetings are conducted with the attendance of stakeholders and media with no voting rights, but there is no provision in the articles of association of the Company in this respect.

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

1.5. Voting Rights:

At Pınar Et 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 upper limits on the number of votes which shareholders can cast at the general shareholders' meetings. However, each Group "A" share shall entitle its owner to 3 votes and each Group "B" share shall entitle its owner to 1 vote. Since the number of "A" group shares is relatively small in total number of shares this privilege has no affect. There are 1,500,000 Group A and 4,332,000,000 Group B shares in the Company's capital structure.

The Company's articles of association indicate that there are voting privileges; should the board of directors be constituted of 5 members, 3 of them shall be elected from among the nominees indicated by Group "A" shareholders. In case the board

consists of 7 members, 4 of them shall be elected from among the nominees indicated by Group "A" shareholders and if the board consists of 9 members, 5 of them shall be elected from among the nominees indicated by Group "A" shareholders, and all other members shall be elected from among the nominees indicated by Group "B" shareholders.

1.6. Dividend Rights:

The dividend policy of Pınar Et is clearly defined. It is submitted to the attention of the shareholders at the general shareholders' meeting and disclosed to public on the corporate web site. Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

As mentioned on the dividend policy document, a balanced policy is followed between the interests of the shareholders and those of the Company.

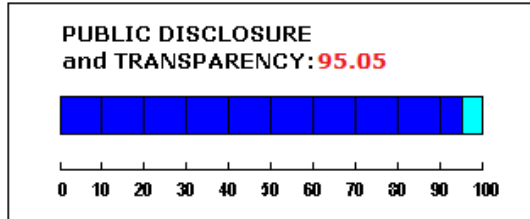
Also, the articles of association contain a provision on advance dividend payments.

1.7. Transfer of Shares:

There are no provisions that impede free transfer of shares.

There is no provision restricting the share transfer in the articles of association.

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.
+	Extensive disclosure policy.
+	Important events and developments disclosed in accordance with the legislation.
-	Benefits provided to board members and senior executives not listed on individual basis.
-	List of ultimate controlling individual shareholders are not disclosed to the public.

2.1. Corporate Web Site:

Company's corporate web site (www.pinar.com.tr) 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; trade register information, important board resolutions, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version

of the Company's articles of association, publicly disclosed material information, periodical financial statements, annual reports, agendas of the general shareholders' meetings and list of participants and minutes of the meetings, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, investor timetable, 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, in accordance with the Capital Markets legislation, the Company also discloses financial statements on PDP and simultaneously in English.

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

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 dividend payments and capital increases, news, general shareholders' meeting internal guidelines, sustainability reports, information on senior management, financial data, main ratio analysis, timetable on events/developments which considers investments, web site terms of use and privacy statement and the human resources policy.

The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF)

have been prepared and disclosed through the PDP at least three weeks prior to the general shareholders' meeting.

However, 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 along with the privileges they hold is not disclosed to the public.

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, trade register number, contact information.
- b. The names and surnames of the chairperson, 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 Company operates and information on its position in this sector.
- d. Qualifications of the production units, capacity utilization rates, explanations related to sales volume and price, sales conditions and yearly developments.
- e. Progress on investments.
- f. CGIF and CRF access information.

- 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, and any changes in the related accounting period.
- j. Benefits provided to staff and workers, information on number of personnel, Collective Bargaining implementations.
- k. Conducted research and development activities.
- l. The dividend distribution policy.
- m. Basic ratios on the financial position, profitability and solvency.
- n. Company's financing resources and risk management policies.
- o. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

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

- a. External duties of board members and executives.
- b. Members of the Committees within the board and their working principles on conducted activities.
- 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. Information on direct contributions to capital ratio with cross shareholding investments in excess of 5%.
- f. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results.
- g. Signed declaration of independence of the independent board members.
- h. Assessment of the board on the efficiency of the Committees.
- i. Rating results.

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

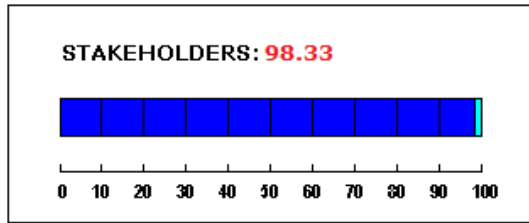
2.3. External Audit:

The external audit of the Company is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PwC group with a worldwide experience.

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. Also it has been declared that there has been no legal conflict between the Company and the external audit firm.

External audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Compensation is provided in case of violation of the stakeholder rights safeguarded by relevant legislation and mutual agreements.
+	Efficient Human Resources policy.
+	Active trade union within.
+	Code of ethics disclosed to the public.
+	A written employee compensation policy established and disclosed to the public on the web site.
+	Corporate Social Responsibility and Sustainability studies are at superior levels.

3.1. Company Policy Regarding Stakeholders:

Pınar Et is owned by one of the leading groups of Turkey, the Yaşar Group of Companies. Hence the Company has a corporate identity and policies related to both the public and the private sector is highly developed.

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. The Company's corporate governance practices are in top level and Pınar Et recognizes the rights of stakeholders established by law or through any other mutual agreement.

A compensation policy for the employees is established and disclosed

to the public on the corporate 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.

Also the Company officials indicated that all customer requests and complaints are filed, monitored and assessed. To this end, consumer satisfaction surveys are conducted and product improvements are realized according to the obtained results.

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.

In addition, Company officials declared that the procurement policy is implemented through tender procedures.

3.2. Stakeholders' Participation in the Company Management:

Although no such provisions are incorporated in the articles of association, models supporting the participation of stakeholders, and especially of employees, in the Company's management have been developed without impeding the operations of the Company. Stakeholders are encouraged to participate in management through various channels such as proposals or surveys, which do not delay Company operations. Pınar Et consults with and obtains the consent of the labor union with regard to changes in working conditions, the working environment and the rights of workers. Dealers are encouraged to participate in the

Company's management through dealer meetings.

3.3. Company Policy on Human Resources:

With respect to specific country standards, the Company has established a human resources policy which ensures equal opportunity, social rights, and sound career planning. On the job training and personnel promotion schemes, as well as relations with the trade union are at high standards.

Tekgıda-İş Union is the active representative within the Company. Company officials declared that a collective bargaining agreement covering the period January 1st, 2020 and December 31, 2021 has been signed between the parties.

Pinar Et employs a detailed human resources policy of which the fundamentals are:

- a) Pinar Et's staff is determined according to business economics criteria, and all workers acknowledge that working with dignity is only possible with efficient work.
- b) To achieve staff improvement, in-house and external training programs are applied within all levels of the framework.
- c) Equal opportunity criterion is applied for appointments within the Company and, as principal, in-house staff is preferred.
- d) Development plans are implemented to personnel with potency, through a career planning system for advancement and career opportunities.
- e) Evaluation of performance of the staff is based on reaching targets and the competence level.

- f) From the first echelon until the last, job descriptions and performance standards are documented to be used on performance evaluation.
- g) Periodic annual implementation of Employee Opinion Survey allows seeing employees' views on working conditions, management, social activities, remuneration, training, performance evaluation, career planning, participatory management, and corporate satisfaction. Improvements are applied in accordance with the feedback.
- h) Safe working environment and conditions is of upmost importance for Pinar Et. In the frame of Employee Health and Safety Regulations, all legal measures are taken on prevention of professional risks, protection of health and safety, and elimination of risk and accident factors. Regular meetings are held to achieve continuous improvements.
- i) The Company's adopted management approach is; "...a management style which adheres to the laws and ethical codes, believe in total quality, and embrace participative management."
- j) It is a basic rule of Pinar Et that employees receive equal treatment without any distinction, regardless of their language, race, color, gender, political and philosophical thoughts, religion, sect, etc.

In addition, there are 4 workplace representatives at Pinar Et. It has been declared that the duties of these representatives are to;

- a) Hear workers' wishes and resolve their complaints

exclusively with respect to matters at the workplace.

- b) Ensure continued labor peace through worker-employer cooperation and labor fairness.
- c) Be mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

Pinar Et has a detailed and comprehensive recruitment policy that defines appropriate criteria. In the recruitment and selection process, equal opportunities are provided for all candidates who have the appropriate training, knowledge, skills, competencies and experience required by the job. All candidates are assessed using defined recruitment procedures.

The Company treats all employees fairly in terms of training and career planning and strives to install training policies to improve their knowledge, skills and competencies.

It has been declared that in cases which management reshuffle could cause disruptions, succession planning for determination of new manager appointments is included in in-house "Management Trainee" regulations.

3.4. Relations with Customers and Suppliers:

Pinar Et has taken necessary precautions to attain customer satisfaction in the sales and marketing of its products and services.

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

We have witnessed no evidence on non-market pricing of goods and services of the Company.

The Pinar Communication Center hotline, 444 76 27, offers 7/24 call

center service. In addition, the 'Barrier-Free Communication Line' established for Visually Impaired Individuals became functional in 2020.

3.5. Ethical Rules & Social Responsibility:

The ethical rules of Pinar Et is established and publicly disclosed through the corporate web site.

The Company was not held liable by any public authority for any sanctions within the last year.

The Company keeps good relations with non-governmental organizations and public social institutions.

Pinar Et regards its ongoing support for and contributions to art, education, sport, and culture as vital and indispensable in the fulfillment of its principle of giving back to society.

Within the scope of the Company's social responsibility projects carried out for children, Pinar Kids Theatre has reached more than 3 million children all over Turkey free of charge since its establishment in 1987. During the 2018-2019 school year, Pinar Children's Theatre exhibited its new play "Game Machine" during the Turkey tour and at various schools in Izmir. Pinar Children's Theater met with approximately 50 thousand theater-loving children throughout 2019.

The theme of International Pinar Children's Painting Contest, which is organized in order to improve the interest of primary and middle school children on painting, was "Draw Your Dream" in 2019. About 35,496 paintings and 1,466 schools from seven regions of Turkey and from TRNC, Germany and via social media took part in the contest. Pinar Children's Painting Workshop is another project aiming to make children familiar with art, was realized for the fourth time in 2019. The workshop reached to the children in 9

different points in 8 provinces - Istanbul, Trabzon, Samsun, Şanlıurfa, Gaziantep, Izmir, Eskişehir and Bursa. Under the frame of Pınar Children's Painting Workshop 3,484 children were directed to take part at Pınar Children's Painting Contest.

Thought Pınar brand, the Yaşar Community contributes to education, sports and protection of cultural properties as part of its sports communication activities with the concept of "social citizenship". With this corporate culture approach, Pınar Karşıyaka Sports Club has been supported under the leadership of Selçuk Yaşar, Founder and Honorary President. Since 1998, Pınar supports Pınar Karşıyaka Basketball Team and thousands of young athletes as the main sponsor. Besides its support to Pınar Karşıyaka Basketball Team, Pınar Karşıyaka Basketball Branch provided about 25,000 children with the opportunity of sports in youth teams and sports schools.

Pınar Et participates and supports various conventions in the food industry in areas such as R&D, sustainability and marketing. It also sponsors the activities for development of culinary, gastronomy and cuisine culture in Turkey. In this context, the Company provided sponsorship support to 5 events (congress, summit, and forum) and 47 activities in 2019.

3.6. Sustainability:

The Company has a policy, internal regulations, goals, initiatives and campaigns on environment, nature, energy conservation, recycling and education issues.

Pınar Et has disclosed to the public through the corporate web site its sustainability reports covering sustainability activities for the 2019 reporting period.

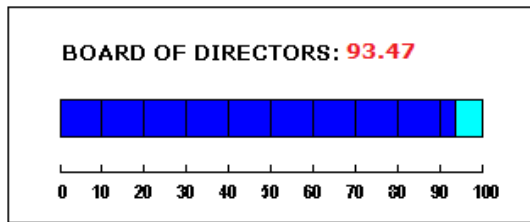
In this context, the Company has national/international quality/health

standard certificates. It is a member of various domestic/overseas organizations carrying out studies in this area.

In addition, Pınar Et's R&D Center used approximately 18,154 kg less plastic and 30,000 kg less paper by optimizing existing packaging materials in 2019. Furthermore, the logistics department has increased the efficiency of the pallets shipped, allowing more products to be shipped with less vehicles, thus reducing carbon emissions by 1,185.802 tons.

Pınar Et reduced its carbon emissions by 9.56% and its water footprint by 8.6% in 2019 compared to its base year. The Company aims to reduce its carbon footprint by 15% by the end of 2020, its water footprint by 5% by the end of 2021 and 10% by the end of 2023.

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.
+	2 female members on the board.
+	2 independent members on the board.
+	Audit, Corporate Governance, and Early Detection of Risk Committees are established.
+	Principles of remuneration of board members and senior executives are established and disclosed to the public.
+	Defects and damages caused by board members during the execution of their duties are insured with an amount exceeding 25% of the capital of the Company.
-	Remuneration and benefits provided to board members and to managers with administrative responsibility is disclosed collectively in the annual report. A list on individual basis is essential.

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 is composed of 7 members and none of them are executive. There are 2 independent members on the 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 2 female members on the board of directors. Thus, the 25% advisory target rate mentioned in the Corporate Governance Communiqué has been met.

Corporate Governance, Audit, and Early Detection of Risk committees are established from within the board of directors. The duties of Nomination and Remuneration Committees are performed by the Corporate Governance Committee. Working principles of Committees are disclosed to the public.

All members of the Audit Committee and the chairmen of Corporate Governance and Early Detection of Risk committees are elected among the independent board members.

The chief executive officer/general manager and the Chairperson of the Board of Directors are not on the Committees.

The 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 Pinar Et's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management

approach with a view to the long-term interests of the Company. The board administers and represents the Company within these parameters.

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

4.2. Principles of Activity of the Board of Directors:

It is believed 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.

Chairperson 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 their duties have been insured with an amount exceeding 25% of the capital of the Company.

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

4.3. Structure of the Board of Directors:

The Company's board of directors is composed of 7 members and none of them are executive. Among the non-executive members 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 proposed by 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 each signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There are 2 female members on the board. Thus the Company has already met 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 has held 42 meetings since our last report date. It has been declared by the Company official that entirety of the board attended to all of the meetings.

Chairperson 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 of directors 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.

Nevertheless, there are no certain rules or limitations for board members taking on additional duties outside the Company. Actually only the independent members have external duties. These duties are disclosed at the general shareholders' meeting where their nomination is discussed.

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, and Early Detection of Risk committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the Committees, their working principles, and members are designated by the board of directors and disclosed to the public on the Company's web site.

All members of the Audit Committee and the chairmen of the Corporate Governance and Early Detection of Risk Committees are elected among the independent board members.

The chief executive officer/general manager and the Chairperson of the Board of Directors are not on the Committees.

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

Meeting frequency of the Committees has been found sufficient by us. Since the date of our latest report, the Corporate Governance Committee convened 4 times, the Audit Committee held 5 and the Early Detection of Risk Committee held 7 meetings.

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.

In addition, it oversees the work of the shareholder relations unit. The manager of the Investor Relations Department is also serving on the Corporate Governance Committee.

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, 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, we have come to the conclusion that Audit Committee members possess the qualifications mentioned in the Corporate Governance Principles Communiqué.

The annual report contains information on working principles of the Audit Committee. However, number of written notices given to the board of directors within the accounting period and meeting resolutions are not included.

The external audit of the Company is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PwC group with a worldwide experience. 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 Early Detection of Risk Committee's working principles are documented. The 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 duties of the Nomination and Remuneration Committees are performed by the Corporate Governance Committee. The Corporate Governance Committee conducts studies toward determination of independent candidates.

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

The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting. A remuneration policy prepared for this purpose can be found on the Company's web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

Pınar Et 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.

Information on the insurance policy on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly is included in the annual report.

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.

DISCLAIMER

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This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

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