



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



22 August 2023

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## Rating and Executive Summary

### SUN TEKSTİL SANAYİ ve TİCARET A.Ş.

 SAHA  
Corporate Governance Rating:

**9.30**



MAIN SECTIONS: **Avg. 93.01**

Shareholders: 89.57



Public Disclosure & Transparency: 95.77



Stakeholders: 96.79



Board of Directors: 91.89



0 10 20 30 40 50 60 70 80 90 100

## EXECUTIVE SUMMARY

This report on rating of Sun Tekstil Sanayi ve Ticaret A.Ş.'s ("SUN TEKSTİL", "the Company") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Company. SAHA's rating methodology is based on the Capital Markets Board's ("CMB") "Corporate Governance Principles" released on January of 2014.

SUN TEKSTİL is rated with **9.30** as a result of the Corporate Governance study conducted by SAHA. The Company's corporate governance rating has shaped up as above in consideration with the importance given by SUN TEKSTİL to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. SUN TEKSTİL 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>.

SUN TEKSTİL is rated with **8.96** 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. SUN TEKSTİL carries out the investor relations obligations through "Investor Relations" unit. There are privileges in exercising voting rights and nominating candidates for the Board of Directors. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. SUN TEKSTİL has a consistent, publicly disclosed dividend distribution policy. The Company has established a policy on donations and grants, and disclosed it to the public on its web site. There are restrictions on transfer of certain shares. On the other hand, the rate of minority rights in the Company's Articles of Association is adopted as prescribed for public joint stock companies (%5).

SUN TEKSTİL attained **9.58** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site which includes all information listed in the Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are carried out via all communications channels and are in accordance with the CMB and Borsa Istanbul (BIST) rules and regulations. The Annual Report is also comprehensive and informative. The names, amount and rate of the shares held by the Company's shareholders with more than 5% shares or voting rights are disclosed on the corporate web site. Benefits provided to Board members and senior executives is mentioned collectively in the Annual Report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, SUN TEKSTİL scored **9.68**. SUN TEKSTİL protects the interest of stakeholders under good faith principles and within the capabilities of the Company and effective and expeditious compensation is provided in case of violation of the rights. A written compensation policy for the employees is established and disclosed to public on the corporate web site. The Company has an efficient and comprehensive human resources policy. Code of ethics is publicly available on the corporate web site. Various social responsibility projects have been implemented. There is no lawsuit filed against the Company due to any damage to the environment.

From the perspective of the principles regarding the **Board of Directors**, SUN TEKSTİL's tally is **9.19**. The Company's strategic goals have been defined and the Board of Directors fulfills all duties regarding Company needs. There are two executive and two independent members on the six-member Board of Directors. CMB criteria are complied with for the appointment of independent members who have each signed a declaration of independence. There are 5 female members on the Company's Board of Directors. Corporate Governance, Audit, Sustainability, and Early Detection of Risk Committees are established within the Board of Directors. Members and working principles of the Committees are disclosed to the public. Any damage that may be caused to the Company by the members of the Board of Directors due to their negligence during the execution of their duties is not insured. Remuneration of Board members and executives with administrative responsibility as well as all benefits provided are mentioned collectively in the Annual Report. Principles dictate reporting on an individual basis.

## Rating Methodology

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

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which 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

<b>SUN TEKSTİL Sanayi ve Ticaret A.Ş.</b>	
	<b>CHAIRPERSON OF THE BOARD</b> Elvan Ünlütürk  <b>GENERAL MANAGER</b> Melis Vekiloğlu
Yedi Eylül, Celal Umur Cd. No:6/A, 35860 Torbalı / İzmir <a href="http://www.suntekstil.com.tr">www.suntekstil.com.tr</a>	<b>Investor Relations Manager</b> Selma Çubuklu

Sun Tekstil Sanayi ve Ticaret A.Ş. (SUN TEKSTİL) was established on November 10, 1987 under the title Sun Tekstil Sanayi ve Ticaret Limited Şirketi. The Company operates in the textile and ready-to-wear clothing manufacturing sector and its main activity is the production of casual and sportswear products mainly from knitted fabrics, and the sale of these products to domestic and international customers. Sun Tekstil exports to more than 10 countries and sells its own designed collections to leading brands in Europe. The Company's main markets are Spain, the United Kingdom, Sweden and France, and the production is carried out with approximately 30 stakeholder manufacturers. The Company carries out its production activities at its facilities in Torbalı, İzmir and Manisa, and has design offices in England and Spain.

The Company has two subsidiaries, Ekoten Tekstil Sanayi ve Ticaret A.Ş. and Sun Textile UK Limited, and an affiliate, Myth Yapay Zeka ve Tekstil Anonim Şirketi. Ekoten Tekstil manufactures fabrics for the apparel, technical textile, medical and sportswear markets for global brands using new methods and high technology in all production processes with innovation and sustainability. In order to maintain its competitive power by being close to customers in the global market, Sun Textile UK Limited continues its activities in the international arena, providing flexible and fast service to customers by using its advanced design and product development power with its design team based in the UK. Myth Yapay Zeka ve Tekstil A.Ş. is a technology company that designs patterns using artificial intelligence.

The shares of the Company, which realized its public offering in May 2022, are traded on Borsa Istanbul under the ticker symbol "SUNTK".

SUN TEKSTİL is a constituent of BIST DIVIDEND / BIST TEXTILE LEATHER / BIST IZMIR / BIST ALL SHARES-100 / BIST PARTICIPATION DIVIDEND / BIST IPO / BIST PARTICIPATION ALL SHARES / BIST STARS / BIST ALL SHARES and BIST INDUSTRIALS indices.

SUN TEKSTİL's shareholding structure is as follows:

<b>SUN TEKSTİL Sanayi ve Ticaret A.Ş. Capital Structure</b>		
<b>Shareholders</b>	<b>Share Value (TL)</b>	<b>Share %</b>
ELVAN ÜNLÜTÜRK	46,260,000	34.12
ŞEFİKA GÜNSELİ ÜNLÜTÜRK	38,760,000	28.58
MEHMET MUAMMER ÜNLÜTÜRK	7,500,000	5.53
AZİZE CEYLAN ÜNLÜTÜRK YEŞİLOVA	7,500,000	5.53
AYŞE ÜNLÜTÜRK	7,500,000	5.53
OTHER	28,080,000	20.71
<b>TOTAL</b>	<b>135,600,000</b>	<b>100.00</b>

<b>SUN TEKSTİL Sanayi ve Ticaret A.Ş. Board of Directors</b>			
<b>Members</b>	<b>Title</b>	<b>Executive</b>	<b>Independent</b>
ELVAN ÜNLÜTÜRK	Chairperson		
MUSTAFA SABRİ ÜNLÜTÜRK	Vice-chairperson	√	
ŞEFİKA GÜNSELİ ÜNLÜTÜRK	Member		
MELİS VEKİLOĞLU	Member	√	
ELİF İDİL TÜRKMEÑOĞLU	Member		√
DEMET ÖZDEMİR	Member		√

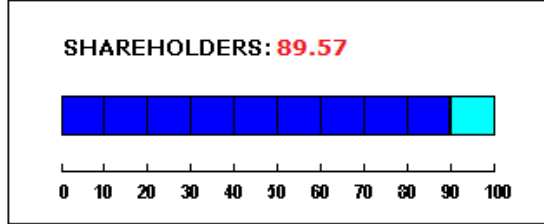
<b>Corporate Governance Committee</b>	
<b>Member</b>	<b>Title</b>
ELİF İDİL TÜRKMEÑOĞLU	Chairperson
DEMET ÖZDEMİR	Member
SELMA ÇUBUKLU	Member

<b>Audit Committee</b>	
<b>Member</b>	<b>Title</b>
DEMET ÖZDEMİR	Chairperson
ELİF İDİL TÜRKMEÑOĞLU	Member

<b>Early Detection of Risk Committee</b>	
<b>Member</b>	<b>Title</b>
DEMET ÖZDEMİR	Chairperson
ELİF İDİL TÜRKMEÑOĞLU	Member



## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Equal treatment of shareholders,
+	Unrestricted shareholder rights to review and receive information,
+	Voting rights are facilitated,
+	General shareholders' meetings are conducted in compliance with the legislation,
+	Investor Relations Department presents its report on the activities carried out to the Board of Directors,
+	Specific and consistent dividend distribution policy,
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital,
=	Privileges in voting and nominating candidates for the Board of Directors, but not exceeding 50% of the share capital,
=	Restrictions on the transfer of group A shares, but not on publicly held shares.

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

At SUN TEKSTİL, the Investor Relations Unit reports to the Corporate Governance Committee and the Board of Directors on the activities conducted.

Investor Relations Manager, Ms. Selma Çubuklu is the holder of Capital Market Activities Level 3 and Corporate Governance Rating Licenses.

The Investor Relations Unit has been established in order to ensure the exercise of the rights of the shareholders and to ensure communication between the Company management and the shareholders. The Unit carries out the following duties within the scope of relations with shareholders:

- Ensure that the records of the shareholders are kept in a healthy, secure and up-to-date manner.
- Respond to the queries of the shareholders, excluding the confidential and trade secret information that has not been disclosed to the public.
- Ensure that the general shareholders' meeting is held in compliance with the applicable legislation, Articles of Association and other Company by-laws.
- By communicating with the other units of the Company, prepare the documents that might be used by shareholders in the general shareholders' meeting.
- Ensure that the voting results are recorded and related reports are sent to the shareholders.
- Supervise all matters related to public disclosure, including the legislation and the Company's disclosure policy.



The Investor Relations Unit submitted its report on the activities carried out to the Board of Directors.

In addition, 1 investor and analyst presentation has been carried out since the Company went public. Information and explanations that may affect use of shareholders' rights are available and up to date on the corporate investor relations 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 and no such demand was received within the reporting period.

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

The Company has constituted a disclosure policy, submitted it to the general shareholders' meeting held on June 30, 2022 and disclosed to public on its corporate web site.

### **1.3 Minority Rights:**

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

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

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

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 May 31, 2023 is performed through all means of communication available to the Company on May the 4<sup>th</sup> 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. A descriptive disclosure document on agenda items has also been prepared.

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

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

- a. The total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, and information on privileged share groups within the Company capital.
- b. Information on changes in management and activities of the Company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can

significantly affect the Company operations.

- c. Grounds for dismissal and replacement of Board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Company and its related parties, whether they are independent or not, and information on similar issues.

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. An informative document on agenda items has been prepared.

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 minutes of the general shareholders' meeting were disclosed to the public by the Investor Relations Unit on the corporate web site.

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 representatives of the external audit firm were present to give necessary information and to answer questions at the general shareholders' meeting.

The Company has established a policy on donations and grants and submitted it to the general shareholders' meeting held on June 30, 2022 for approval. Shareholders are informed, with a

separate agenda item, of amount and beneficiaries on all donations and grants effectuated during the reporting period.

On the other hand, a clause on participation of stakeholders and media to the general shareholders' meetings with no voting rights, subject to the permission of the chairperson of the meeting, is not included in the internal directive of the general shareholders' meeting.

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

As stated in the Articles of Association, in Group A shares, constituting 11% of the total capital, 1 share has 5 voting rights. Furthermore, Group A shares have the privilege to nominate candidates for the Board of Directors. As such, at least half of the Board of Directors is elected from among the candidates nominated by Group A shares.

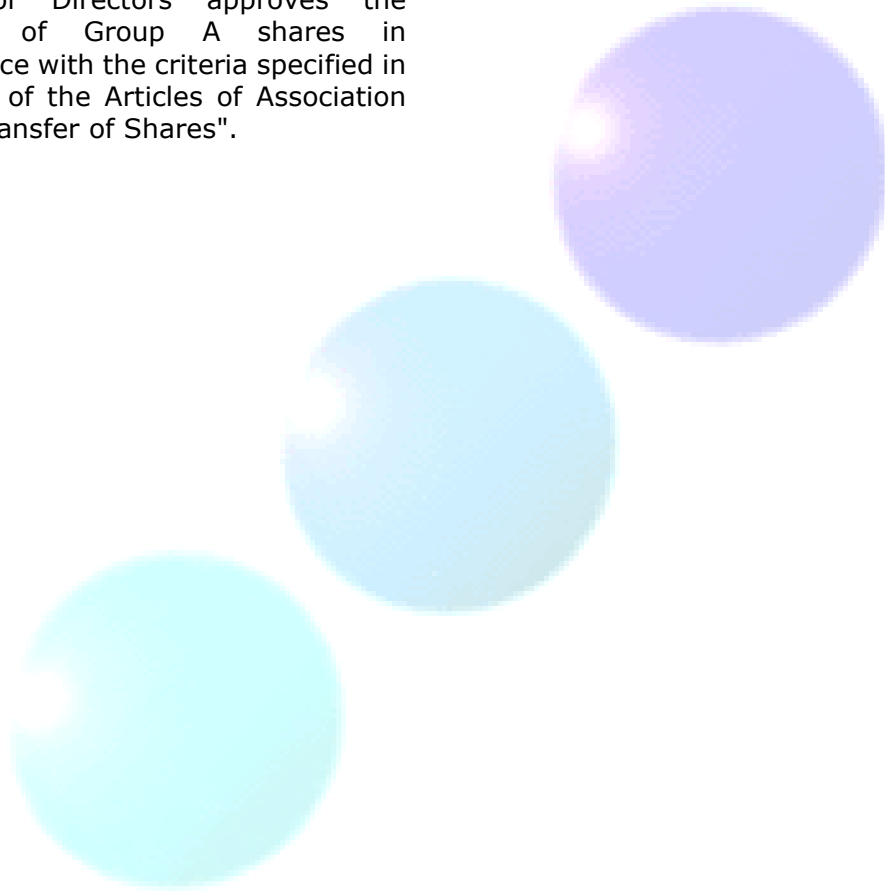
All shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

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

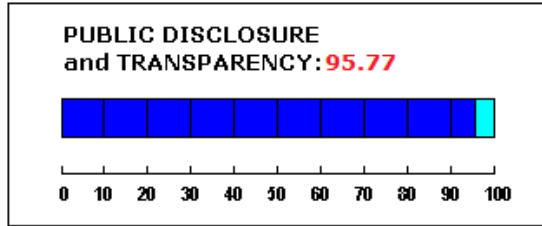
The dividend policy of the Company is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the Annual Report. The dividend distribution policy of SUN TEKSTİL contains minimum information clear 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. In addition, a provision on advance dividend payments is included in the Articles of Association.

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

Neither the Articles of Association nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares. However, in the event that Group A shares are transferred to third parties or to real or legal persons holding shares in the Company, such shares are first offered to other Group A shareholders, then the Company's Board of Directors approves the transfer of Group A shares in accordance with the criteria specified in Article 7 of the Articles of Association titled "Transfer of Shares".



## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive Disclosure Policy, disclosed on the web site,
+	Comprehensive web site, actively used for public disclosure,
+	Annual Report complies with the legislation, comprehensive and informative,
+	Important events and developments disclosed in accordance with the legislation,
+	Shareholders with a share higher than 5% are publicly disclosed on the web site,
+	Remuneration policy established and disclosed to public on the corporate web site,
+	Dividend distribution policy publicly disclosed on the web site,
=	English web site for the benefit of international investors, but not as comprehensive as the Turkish version.

### 2.1. Corporate Web Site:

Company's web site 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 corporate web site includes; trade register information, information about latest shareholder and management structure, final version of the Company's Articles of Association, publicly disclosed material information,

periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, and ethical rules of the Company.

The names, amount and rate of the shares held by the Company's shareholders with more than 5% shares or voting rights are disclosed on the corporate web site.

The information on the web site has also been prepared in English, close to Turkish content, for the benefit of international investors. However, full overlap has not yet been achieved.

The Company's web site also includes; investor presentations, the donation policy, Committees and their working principles, important Board decisions under the heading of material disclosures, the vision/mission of the Company established by the Board of Directors (under the heading "Our Values", capital increase information for the last years, news, general shareholders' meeting internal guidelines, social responsibility activities, the sustainability report, Price Determination Evaluation Reports prepared within the scope of CMB obligation, information on senior management, Board of Directors' working principles, investor relations contact information, timetable on events/developments which considers investors, financial data, main ratio analyses, and the personal data protection policy regarding the web site.

As per the CMB decision dated January 10, 2019 and numbered 2/49 published on the Bulletin no: 2019/2, The Corporate Governance Compliance Report prepared in accordance with the Corporate Governance Communiqué number II-17.1 is disclosed through the PDP using the Corporate Governance Compliance Report ("CRF") and the Corporate Governance Information Form ("CGIF") templates.

## 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 chairperson 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. Progress on investments, the eligibility status on incentives,
- e. Information on whether any changes are made to the Articles of Association within the reporting period,
- f. Corporate Governance Principles Compliance Report,
- g. Links to the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF),
- h. Information on related party transactions,

- i. Other issues not included in the financial statements, but are beneficial for users,
- j. Company's organization, capital and ownership structure,
- k. Benefits provided to staff and workers, information on number of personnel,
- l. Explanations on privileged shares,
- m. The dividend distribution policy,
- n. Basic ratios on the financial position, profitability and solvency,
- o. Company's financing resources and risk management policies,
- p. 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 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. Declaration of independence of the related Board members,
- c. Members of the Committees within the Board and working principles of the Committees,
- d. Information on legislative changes that may significantly affect the Company's activities,
- e. Major law suits filed against the Company and possible consequences,

- f. Information on the fact that there is no cross shareholding in excess of 5% of the share capital,
- g. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results.

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

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

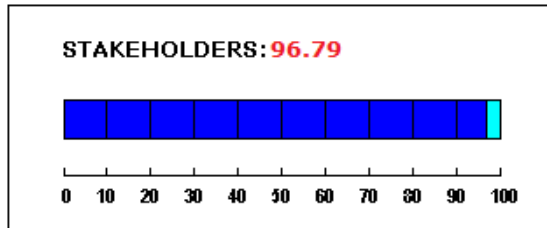
Annual audit of SUN TEKSTİL Sanayi ve Ticaret A.Ş. and its subsidiaries for the accounting period covering January 1<sup>st</sup> - December 31, 2022 was carried out by HSY Danışmanlık ve Bağımsız Denetim A.Ş.

There has not been an instance 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.

It has been declared that; Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period.

It has been also declared that; No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated,
+	Efficient Human Resources Policy,
+	Stakeholders' views are taken on important decisions,
+	Code of ethics disclosed to the public,
+	Company is socially and environmentally sensitive and respectful,
+	A written employee compensation policy is established and disclosed to the public on the web site,
+	Quality standards of Products and Services are complied with,
-	In cases which management reshuffle could cause disruptions, no written succession planning for determination of newly appointed managers is established.

### 3.1. Company Policy Regarding Stakeholders:

SUN TEKSTİL recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Company protects the interest of stakeholders under good faith principles and within the capabilities of the Company. Effective and expeditious compensation is provided in case of violation of the rights.

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

The corporate governance implementation of the Company ensures that its stakeholders, including its employees and representatives, report their concerns regarding any illegal or unethical transactions to the management.

Necessary mechanisms have been established for stakeholders to report any illegal and unethical transactions.

In addition, a written compensation policy for employees has been established and disclosed to the public on the Company's web site.

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

Models have been developed to support the participation of stakeholders in the Company's management without impeding operations of the Company. Although there is no provision in the Articles of Association, employee participation in management is supported by in-house regulations (freedom of expression and open-door policy). Opinions of stakeholders are taken in important decisions that have consequences for stakeholders.

### 3.3. Company Policy on Human Resources:

The Company has a written human resources policy.

SUN TEKSTİL offers equal opportunity to persons with the same qualifications in recruitment and career planning.



A policy has not yet been put in place to develop a succession plan for key management positions in cases where it is foreseen that executive changes may cause disruptions in the management of the Company.

The criteria for hiring are documented in writing and the Company complies with these criteria. All employees are treated with fairness and equality in terms of the benefits provided to them, training programs are provided to enhance employee knowledge, skills and conduct, and training policies are formulated. Informative meetings are held for employees on issues such as the Company's financial situation, wages, career, education and health, and views are exchanged. Meetings held within the Company, year-end evaluation and notification, annual goal-setting and performance evaluation meetings are held with their inclusion in decision-making mechanisms, Committees and projects within the framework of their authority and responsibilities.

There is no trade union in the Company. However, its subsidiary EKOTEN does.

Recruitment and career planning are conducted on the basis of equality and transparency is ensured.

Job descriptions and distribution of tasks as well as performance and rewarding criteria are announced to the employees. Productivity is a major criterion in determining the salary and other benefits provided.

Measures are adopted to prevent discrimination on the basis of race, religion, language and sex among the employees, to ensure human rights are respected and to protect the employees against internal physical, mental and emotional abuse.

Company officials declared that; Employees are provided with healthy,

ergonomic, hygienic and safe working conditions, and necessary precautions are taken.

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

SUN TEKSTİL has taken all necessary precautions to attain customer satisfaction in the sales and market of its products and services.

Correct and complete information is provided to customers in marketing and sale of the Company services.

There is no evidence of non-market pricing of goods and services.

SUN TEKSTİL complies with quality standards of products and services and strives to maintain these standards. The Company is the holder of ISO 14001, SCOPE CERTIFICATE, OEKO-TEX Standard 100, and TÜV/SÜD certificates.

Care is taken on the confidentiality of information about customers and suppliers within the framework of protection of trade secrets.

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

SUN TEKSTİL has established its code of ethics and disclosed it to the public on its corporate website under the heading 'Code of Conduct'.

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

The Company supports and respects internationally recognized human rights. It also fights against all forms of corruption, including extortion and bribery, and provisions on mobbing and

harassment are included in its 'Code of Conduct'.

The Company's strong belief in equal opportunities is reflected both in its workforce and in its efforts to promote women in business life. While 83 percent of Sun Tekstil's Board of Directors is composed of women, 62 percent of all managers and 70 percent of all employees are women.

Internship Program called 'Future is at SUN' is a young talent program designed to prepare 3<sup>rd</sup> or 4<sup>th</sup> year students in Textile Engineering, Fashion and Graphic Design, Industrial and Management Engineering faculties to professional life and to contribute to their professional development. In 2022, the program was launched with 32 students, and was completed with 30 students as a result of the employment of two of these students within the Company during the program.

Sun Design Project is an annual program run by the Company for university students studying fashion design and graphic design, and was awarded the first prize in the '2019 Top 100 Talent Programs'.

The Vocational Training and Development Center (MEGEM) was launched in 2022 with the aim of bringing women into business life and providing vocational training to women who do not have a profession. As a result of two training programs organized for this purpose in 2022, 17 women were trained and those trained within the program were employed within the Company.

SUN TEKSTİL is a signatory to UN Global Compact, UNGC Business for Peace and Women Empowerment Principles. The Company's memberships in various non-governmental organizations are as follows; KALDER, TAIDER, ESIAD,

IPUD, EGSD, TEID, ARGEMIP, SKD Turkey, Textile Exchange, TKYD, TMM and BADV.

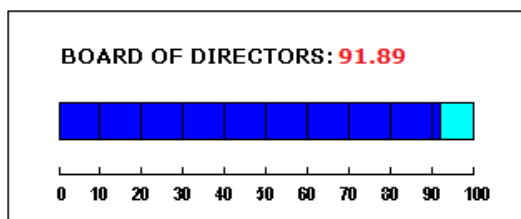
### **3.6. Sustainability:**

The Company has a Sustainability Policy which is publicly disclosed on the corporate web site. The sustainability principles are described as follows;

"As a solution partner of global brands and one of the largest ready-to-wear manufacturers in Turkey, we strongly believe that we make a difference and can lead the change. Making design and production sustainable in every aspect will support the sustainability transformation of the fashion industry. For this reason, at SUN TEKSTİL, we always set our goals and values within the framework of economic, social and environmental sustainability and conduct our activities in this context. In addition to sourcing ethical products in all our processes, we invest in human resources for lifelong sustainability and strive to use environmentally friendly practices in every aspect of our business."

SUN TEKSTİL has the relevant reporting in its Annual Report in accordance with the "Sustainability Compliance Principles Framework" published by the CMB. The studies that the Company has/will conduct on sustainability are dealt with extensively both on the web site and in the Annual Report. As of the report date, there has been no penalty or lawsuit filed against the Company due to any environmental damage.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	Strategic goals are defined,
+	The Board works efficiently and staffed with qualified members,
+	Two independent Board members,
+	Corporate Governance, Audit, and Early Detection of Risk Committees are established,
+	Principles of remuneration of Board members and senior executives are established and disclosed to the public,
+	Conduct of the Board meetings is defined in internal regulations and meeting and decision quorums have been included in the Articles of Association,
+	5 female members on the 6-member Board,
=	Wages and benefits given to the members of the Board and executives with administrative responsibility are not disclosed on an individual basis,
-	No executive liability insurance.

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

Strategic decisions of the Board of Directors aim to manage the Company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk

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

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

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

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

Distribution of tasks between the members of the Board of Directors is explained in the Annual Report. The Board of 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. In this context, the Board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the Annual Report. Although the Chairperson of the Board of Directors and the General Manager is not the same person, such separation of powers is not included in the Articles of Association. There are three (3) members of the Board of Directors with unrestricted signatory powers and

unrestricted authority to make decisions alone, and it has been declared that the matters specified in the Capital Market Law and the Company's Articles of Association have been resolved by the Board of Directors.

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 and works in close coordination with the Corporate Governance Committee and the "Investor Relations" unit.

Defects and damages that may be caused by the Board members during the execution of their duties have not been insured.

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

Board of Directors of SUN TEKSTİL is composed of six members of which two hold executive duties. There are also two independent members who have the ability to execute their duties without being influenced under any circumstances.

No upper limit for the number of independent Board members is indicated in the Articles of Association. Tenure of office for independent members is designated as three years.

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.

The Company has a written policy on female Board membership, and there are 5 female members on the Board of Directors corresponding to the ratio of 83%.

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

Board meetings take place with sufficient frequency. Twelve meetings were held within the last year. All members allocate sufficient time for all of the Company's business and the rate of participation to the meetings is 93%.

Chairperson of the Board of Directors sets the agenda for Board meetings in consultation with other members and the general manager. Information on the agenda items of the meeting is made available to the members in sufficient time prior to the meeting date.

Each Board member is entitled to a single vote.

The conduct of the Board of Directors meetings is documented and meeting and decision quorums have been included in the Articles of Association.

The members of the Board of Directors are not restricted or bound by a specific rule to be an executive or a member of the Board of Directors in another company or to provide consultancy services to another company. SUN TEKSTİL has declared that this situation does not lead to any conflict of interest.

Shareholders are informed of external duties of the Board members through the Annual Report.

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

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

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

All members of the Audit Committee are elected among the independent Board members. Also, the chairperson of the Corporate Governance and Early Detection of Risk Committees are elected among the independent Board members. The Corporate Governance Committee is composed of three, Early Detection of Risk and the Audit Committees are composed of two members each. The General Manager (CEO) is not on the Committees. There is no executive Board member in any one of the three Committees.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the Board. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

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

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems and finalizes them.

The Committee also determines the methods and criteria to be applied for the evaluation of the Company's employees' notifications on accounting and independent auditing in the framework of confidentiality principle. In addition, notifies the Board of Directors in writing about their findings, assessments and recommendations related to their area of responsibility.

Following taking the opinion of responsible managers of the Company

and the external auditor, the Audit Committee notifies the Board in writing on whether the annual and interim statements to be disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

The Committee has convened thirteen times in 2022 and six times during the first five months of 2023. Audit Committee members possess the qualifications listed in the Corporate Governance Principles Communiqué.

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

The Corporate Governance Committee fulfills the duties and responsibilities specified in its working principles. The main purpose of the Corporate Governance Committee is to assist the Board of Directors in complying with corporate governance principles, including investigations in case of non-compliance with corporate governance principles and identification of conflicts of interest, oversight of the investor relations unit, and fulfillment of the duties of the Nomination Committee and the Remuneration Committee.

One of the main duties of the Nomination Committee is to prepare a report on the candidates proposed by the Board of Directors and shareholders, taking into account whether the candidate meets the independence criteria, and to submit this assessment as a report to the Board for approval. This task is included in the Corporate Governance Committee's charter and was fulfilled during the previous period.

Since a Remuneration Committee is not established, its duties are carried out by the Corporate Governance Committee. The Company's remuneration policy, in which the principles of remuneration of the members of the Board of Directors and executives with administrative responsibility, are determined and disclosed to the public on the corporate web site.

The Early Detection of Risk 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. It reviews risk management systems and finalizes relevant reports.

The Sustainability Committee is established in line with corporate goals and consists of Board members, Company executives, human resources manager, corporate communications manager, sustainability manager, and environmental engineers. Sustainability-related risk analyses, climate-related issues and strategies are discussed at bimonthly Committee meetings and action plans determined by the Committee and the needs of the Company are acted upon. The Company's operations, value chain, and also expectations of business partners are also evaluated in this context. Ideas are sought from stakeholders, and industry reports and customer strategies are analyzed.

#### **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. A remuneration

policy prepared accordingly can be found on the Company's web site.

Stock options or performance-based payments are not included in the remuneration package of the independent Board members. Their remuneration is designated at a level to maintain their independence.

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

The executives have the required professional qualifications in order to perform the assigned duties. The 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 Board members and managers with administrative responsibility as well as benefits provided are mentioned collectively in the Annual Report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.



## Rating Definitions

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



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