



SÜTAŞ SÜT ÜRÜNLERİ A.Ş.

ANNUAL REPORT

2020



CONTENTS

1. MAJOR DEVELOPMENTS IN TURKEY AND OUR ACTIVITIES	4
2. HUMAN RESOURCES ACTIVITIES	6
3. MANAGEMENT SYSTEMS ACTIVITIES	10
4. CONSUMER MARKETING ACTIVITIES	11
4.1. Key Market Developments	15
4.2 Export Activities	16
5. SÜTAŞ A.Ş. FINANCIAL INFORMATION 2020	17
5.1 General Information	17
5.1.1 Accounting Period of the Report	17
5.1.2 Trade Name	17
5.1.3 Trade Registry Number	17
5.1.4 Headquarters and Contact Information	17
5.1.5 Website	17
5.1.6 Branches and Contact Information	17
5.1.7 Shareholding Structure	18
5.1.8 Direct and Indirect Affiliates and Share Ratios	18
5.1.9 Board of Directors	19
5.1.10 Committees of the Board of Directors	19
5.1.11 Independent Auditing Firm	20
5.1.12 Organizational Structure and Senior Management	20
5.1.13 Information on the Number of Employees	20
5.1.14 Information on Transactions Performed by the Members of the Board of Directors under the Non-Competition Restriction	21
5.1.15 Compensation and Financial Rights Provided to the Members of the Board of Directors and Senior Executives	21
5.1.16 Research and Development Activities	21
5.1.17 Domestic and Foreign Investments	21
5.1.18 Information on Private and Public Audits	21
5.1.19 Major Lawsuits	21
5.1.20 Judicial and Administrative Sanctions	21
5.1.21 Aids and Donations	21
5.1.22 Relations with the Controlling Company	21
5.2 Corporate Management	22
5.2.1 Board of Directors	22
5.2.2 Working Principles of the Board of Directors	25
5.2.3 Committee Assessment of the Board of Directors	25
5.2.4 Internal Control and Audit Activities	25
5.2.5 Risk Management	26
5.3 Financial Information and Explanations	28
5.3.1 Key Indicators of Financial Results	28
5.3.2 Developments After January–December 2020	28
5.3.3 Management’s Financial Situation Assessment	28
5.3.4 Dividend Distribution Policy and Dividend Distribution	28
6. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT	30





OUR MISSION

In order to provide natural and delicious dairy products that improve people's quality of life and bring them health and happiness, we manage and develop the dairy value chain in the most efficient and sustainable way, with the passion of sharing the goodness of milk.

OUR VISION

To become the most loved brand, the most trusted corporation and the leading company in dairy sector.

OUR VALUES

Respect

We have respect for humans, society and nature.

Responsibility

We act in a fair and transparent manner and we are accountable for our actions, we own up to our responsibilities.

Excellence

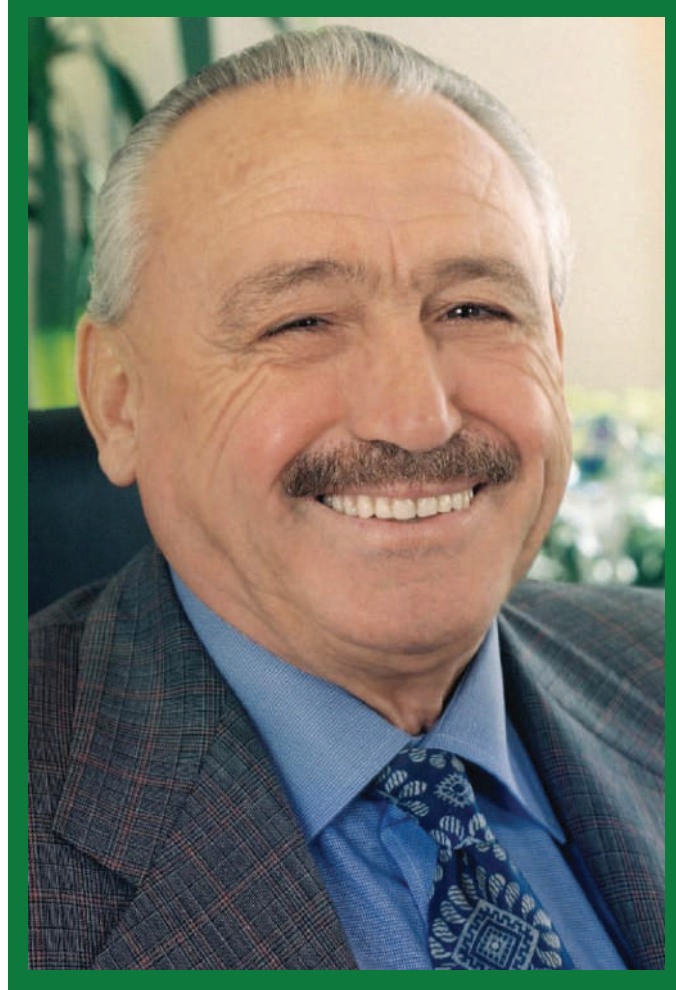
We constantly improve ourselves and seek excellence to become the masters of our business.

Passion

We passionately commit ourselves to the goodness and abundance of milk and to dairy.



OUR FOUNDER



Sadık Yılmaz
(1929 - 2005)

"Our love for you lives on in our love for milk."



Sütaş Chairman's Review



Dear Stakeholders,

The global economy already faced numerous challenges early on in 2020 and with the pandemic that started in March of that year and took hold of our country, we have been faced with challenging conditions for both our country and our industry.

The start of the vaccination process is expected to alleviate the economic and social contractions experienced in 2021. The OECD Economic Outlook report, released in December 2020, predicts that world production will return to pre-pandemic levels by mid-2021, and the global economy will grow by 5.6 percent. On the other hand, the International Monetary Fund increased its growth estimates for the global economy, calculated to have decreased by 3.5 percent in 2020, from 5.2 percent to 5.5 percent.

Despite the challenging conjecture in our world and our country, we kept sharing the goodness and abundance of milk in the 45th year of our passion and decisiveness for and dedication to milk. During this time when enhancing our immune system through proper nutrition has become a top priority for all, it is important to note that "milk" serves as a fundamental source of balanced, nutritious, and easily accessible nutrients needed for a healthy lifestyle. Therefore, milk's significance in promoting healthy nutrition has once again come to the forefront. Bearing the responsibility and awareness of providing our customers and consumers with ease of mind regarding supply, quality, and hygiene, our team of 7,000 sustained their efforts during the pandemic.

Our 2020 activity data indicate that these efforts yielded business outcomes in line with our goals. We maintained our leading position in branded products in the milk and dairy products sector with a 9.4 percent share in turnover. Our total assets reached 3.714 million Turkish lira, and our net sales registered 4.06 billion Turkish lira.

We continuously increase our contribution to total milk production to maintain our leading position in the agriculture-based industry. Total milk production in Turkey increased by 1 percent on a year-on-year basis in 2020 to reach 20.99 million metric tons. We procured 740,000 metric tons of raw milk, corresponding to 7.5 percent of the total 9.85 million metric tons delivered to the industry, from 19,412 producer families and paid 1.76 billion Turkish lira in return.

Despite this extraordinary period that our country and the whole world are going through, we have remained steadfast in our time-honored tradition of celebrating the anniversaries of our establishment every five years by undertaking ambitious projects that serve to strengthen our country's infrastructure. We completed the integration of our Karacabey facilities in our 30th year, the inauguration of our Aksaray Integrated Facility in our 35th year, and the establishment of our Tire Facility in our 41st year. And, as we mark our 45th anniversary, we continued to push forward with the Sütaş Eastern and Southeastern Anatolia Dairy Project Bingöl Integrated Facilities, the foundations of which were laid in 2018.

The investments, projected to be operational in the first half of 2021, will position Bingöl and its neighboring areas as a major center of attraction, catalyzing a shift in the region's fortunes. We view this investment as a Development and Socio-Economic Transformation Project that will elevate Bingöl to the status of Turkey's foremost plant feed production and livestock center. In addition to generating a steady income stream for producers, we are thrilled by the prospect of the positive impact it will have on the region, eagerly awaiting its opening.

Within the current operational year, a detailed "Regional Impact Analysis Report" was conducted to provide tangible evidence of the anticipated effects of the project on the Bingöl region. The report indicates that Sütaş will have a direct and indirect impact, contributing a staggering \$1.3 billion to Bingöl's GDP by 2033, accounting for 61 percent of the annual total. The report shows that Bingöl's income per capita in 2033 would be \$7,322 without the investment of Sütaş and would now reach \$10,221 with an increase of 40 percent. This increase will allow Bingöl to rise from 73rd to 38th place in the ranking of Turkish provinces by income per capita. In addition to the significant economic impact, the report highlights several other positive outcomes resulting from Sütaş's launch of operations in the region, including increased production, employment opportunities, a rise in household income, a halt to emigration, and the return of qualified population, as well as social and cultural transformation. I am proud of our contributions to our country and national welfare through our Eastern and Southeastern Anatolia Dairy Project.

Motivated by this pride, we will continue to strive to create value for our country and all our stakeholders with our strong corporate structure, solid workforce, and financial competency. We will maintain our investments through the Love of Milk, as always. I want to express my deepest gratitude to all our colleagues who contributed to our achievements in 2020, as well as our customers, business partners, and esteemed shareholders who share our vision and accompany us on our journey.

Best regards,

Muharrem Yılmaz
Chairman



1. MAJOR DEVELOPMENTS IN TURKEY AND OUR ACTIVITIES



Bingöl Integrated facilities investment preparation communication

We shared details on the investment procedures of the Eastern and Southeastern Anatolia Dairy Project-Sütaş Bingöl Integrated Facilities scheduled to be completed in 2021.

As a video on the first harvest of recently launched farming activities was aired, details on the investment were shared through media interviews.



Sütaş Published Its Sustainability Report

The Sütaş Group 2019 Sustainability Report has been published. We shared our sustainability approach, activities, and outcomes in 2019 from economic, social, environmental, and corporate governance aspects.



Sütaş Wins the Corporate Governance Association of Turkey's Corporate Governance Award for the 6th Time In a Row!

Sütaş received the Non-Public Company with the Highest Corporate Governance Rating award with a score of 95.90 in the Non-Public Real Industry Company category in the 10th edition of the Corporate Governance Awards organized by the Corporate Governance Association of Turkey (TKYD).



Sütaş Ranks as Turkey's Most Valuable Dairy Brand

The international brand evaluation organization Brand Finance ranked Sütaş in an independent assessment as the "25th Most Valuable Brand" and "The Most Valuable Milk and Dairy Products Brand" in Turkey.



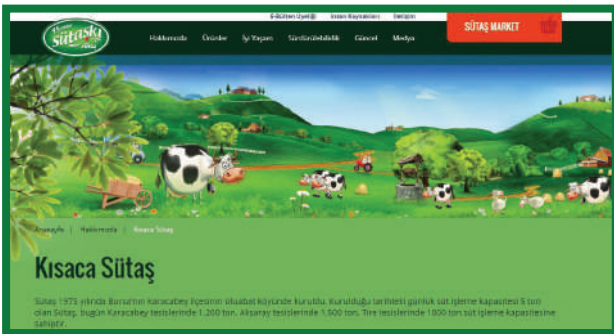
Sütaş Receives Zero Waste Certificate

Working for a sustainable future, Sütaş became the first company to receive the "Zero Waste Certificate" issued by the Ministry of Environment and Urbanization for its Bursa Facility.



Sütaş Receives a Felis Award and an Achievement Award for its 45th-Anniversary Communication Campaign

For its 45th-anniversary communication campaign, Sütaş received a Felis Award in the Brand Experience and Activation category in the 2020 Felis Awards and an Achievement Award in the Integrated Felis (IN) Food category.



Sütaş Web Site

In 2020, the Sütaş website was visited 708,907 times by 591,335 users, and 1,573,363 pages were viewed.



Sütaş Farm Comic Strips Compilation Published

The Sütaş Farm Comic Strips Compilation was published, including the best of the Sütaş Farm comic strips posted across various platforms throughout 2020.



Sütaş Social Media Communication

In 2020, 271,274 people liked the Sütaş Corporate Facebook page, and 121,153 follower interactions were registered. The number of followers on the Sütaş Corporate Instagram account increased by 71.5 percent to 41,060, and a total of 413,821,580 interactions were registered.



2. HUMAN RESOURCES ACTIVITIES



Training and Development

Sütaş aims to support corporate development and accelerate learning through training and skill development. We organize all development activities under the “Love of Milk Academy.” We encouraged our colleagues to build on their expertise, boost their performance, and wield their full potential through the Welcome to the Sütaş Family Orientation Program, Professional Skills and Competency Development Program, and the Leadership Development Program, all of which were part of the Love of Milk Academy.

The Love of Milk Academy organized 65,914 hours of training in 2020. The average training hours per person was 14.45.

In-house trainers provided 89 percent of total in-house training sessions. The training programs continued to focus on professional training for mastery and expertise and on corporate development.

Sütaş Family Orientation Program

We organized the “Welcome to the Sütaş Family” orientation program for our new colleagues to ease their transition to their new job and company and held meet-and-greets with the senior management and experience-sharing discussions on online platforms. In 2020, the participant satisfaction survey for the Orientation Program registered an average of 4.90 points.



Sütaş Production School

Dairy Farming Certificate Program

Building on the motto that “We Are the Dairy Farmers of Turkey,” we employ our 45 years of experience and quest for perfection to enhance the professional skills of our specialists and above, hone the craftsmanship skills, and build on the expertise of our colleagues in their career planning in our “Dairy Farming Certificate Program.” The certificate ceremony for the 2019 graduates was held online.

The new program was organized online for the 2020–2021 academic year. The “Basic Dairy Farming Module” sessions were completed, and the satisfaction score registered as 4.47.

The program consists of 14 sessions, all developed in cooperation with in-house trainers.

Training Programs Included

Basic Dairy Module

- HACCP
- Food Regulations
- Chemistry of Milk
- Microbiology of Milk
- Input Control
- Equipment Used in Milk Processing
- Production Planning

Dairy Processes Module

- Pasteurization Technologies
- UHT Milk Technologies
- Yogurt and Ayran Technologies
- Cheese Technologies
- Butter Technologies
- Sweet Products
- Powdered Foods

Recruitment

Sütaş received 140,351 job applications in 2020 and recruited 538 people.



Sütaş Sales School

Within the scope of the Field Sales Development Program's Sales School, an "Agile Leadership in the Field" webinar was organized for Sales Operations and Channel Sales teams. A total of 303 people participated in the webinar, and the satisfaction score registered as 4.32.

Sütaş Management School

The Love of Milk Academy Management School Program aims to train good leaders who believe in the goodness and abundance of milk, hone the craftsmanship skills and build on the expertise of our managers, and subsequently nurture a happier working environment and ensure a sustainable human resource supply.



The "Manager Development Program" of the Management School focused on our managers' business and team management skills. The program studied management by values and goals, achievement with the team, happy and engaged employees, motivation, and feedback. Managers who completed the two-day training participated in two one-and-a-half-hour, one-on-one coaching meetings and prepared and delivered their development presentations. Of the 36 participants, the program received a 4.92-point satisfaction score.

Internal Mentoring Program

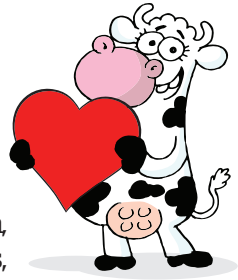
Our internal mentoring program is specifically designed to accelerate the adaptation of candidate specialists to both professional life and our corporate culture. Our program consists of a series of steps that include identifying the strengths and areas of improvement for each candidate specialist, determining their development goals, and designing and implementing personalized development plans. We expanded our participant pool and provided internal mentoring to 25 individuals in 2020.

Sütaş Specialist Development Program

The Sütaş Specialist Development Program offers basic competency development to specialists to improve their ways of working. In 2020, 20 people participated in the program that accepts specialists who have served one year as a specialist. In addition to the Positive Communication and Cooperation, Presentation Skills, Planning and Prioritization, and Innovative Thinking and Innovation training sessions, the program included two development action planning interviews with the program consultant. The program received a 4.89-point satisfaction score.

Training on Our Values

Since April 2019, we have implemented a series of training programs across our campuses, operational sites, and headquarters. The primary goal of these programs is to instill the core human values of respect, responsibility, perfection, and passion in each of our employees, ensuring they are embodied in all aspects of our operations. A total of 4,693 people participated in the 269 sessions organized across Turkey, and the satisfaction score registered as 4.84.



Personal Development Seminars

We bring our colleagues together with hand-picked subjects and speakers every month to improve the quality of their lives and work, provide them with an opportunity to learn about their interests and inquiries, and nurture their self-development. In 2020, we organized 12 personal development seminars on six different subjects, in which a total of 642 people participated.



Speaker Subject

Cenk Devrim Ulusoy - Dive Deep to Find the Summit
Konca Çalkıvık - Conscious Employees, Conscious Companies with BCSD Türkiye
Türk Kızılayı - Crescent Earthquake and Disaster Protection Awareness Seminar
Banu Koç Çakan - Emotional Resilience Webinar
Dr. Murat Bilgili - M.D. Webinar on Psychology of the Extraordinary in Extraordinary Times
Dr. Güzin Çatlı Yener - Dietitian How to Improve Your Immune System Webinar



3. MANAGEMENT SYSTEMS ACTIVITIES



Infrastructure Planning for Information and Communication Technologies Completed at Bingöl Integrated Facilities

The initial installation of the information and communication technologies infrastructure for Bingöl Integrated Facilities, scheduled to be commissioned in May 2021, is completed as expected in light of the recent technological advances, building on our experience in innovative technological approaches at our Tire Integrated Facility. The networks and systems in the information and communication infrastructure all have backups to ensure continuous availability throughout the facility.

The information and communication technologies infrastructure is now online in our office and manufacturing areas. Once the construction of the Feed Plant is completed and the second system room is established within the plant, this second system room will be activated to have the planned system room backup.



Online Meeting Infrastructure Provided by Webex by Cisco

The way of doing business has been changing rapidly worldwide since the pandemic, raising the need for an online meeting infrastructure to catch up with the times. With the support of our business partner Cisco, we enabled the Webex by Cisco infrastructure to address this particular need quickly. Approximately 11,000 people participate in some 2,500 meetings initiated by nearly 250 employees each month, and we can ensure business continuity.

The online orientation program led jointly with the Love of Milk Academy, is pursued so as not to disrupt the orientation schedule of recent recruits. We also organize online seminars via our Webex by Cisco Webinar infrastructure to encourage employees' individual development.

4. CONSUMER MARKETING ACTIVITIES



Süttaş 45th-Anniversary Campaign

The 45th-anniversary campaign was launched in March 2020 when Süttaş celebrated its 45th anniversary. Exploring the Love of Milk Süttaş has had for 45 years, the advertisement starred Buzu, the cute toy cow that imagined living at a Süttaş Farm with the happy cows there. Buzu went beyond the digital realm, allowing customers to meet Süttaş's iconic cow in person, which is a crucial brand asset. This initiative paved the way for a meaningful social responsibility project. Süttaş marked its 45th anniversary with the invaluable happiness Buzu brought the children and the additional income provided to women who do not actively or regularly participate in the workforce.



The project, carried out with the motto "Buzu: More Fun for Children and Income for Women," involved the participation of 2,045 women who were not actively participating in the workforce from all over Turkey.

By knitting 40,000 Buzus with the materials provided, women

contributed to their family budget under the challenging pandemic conditions through their hard work.

This project not only provided financial benefits but also gave women a psychological boost.

The beautifully handmade Buzus were initially gifted to consumers reaching the 200 Turkish lira quota on Süttaş Market. Then, as of November 2020, the plan was extended to all consumers purchasing 250 Turkish lira worth of products on Süttaş retail points through the Draw to Win campaign.

Hand-knitted with love by women, Buzus brought happiness to thousands of children.

Süttaş's 45th-anniversary campaign was aired in two seasons, from March to April and from November to December 2020, on television, radio, outdoor, social media, and digital platforms, as well as on in-store applications.

Buzu actively took part in all Süttaş social media accounts through fun Instagram filters, GIFs, competitions, and special occasions that boosted consumer interaction. Stories of the women who hand-knit Buzu were also incorporated on social media accounts with influencers and media interviews, further spreading the word. Süttaş reached 32 million people on digital platforms, registering nearly 37 million interactions within the scope of its 45th-anniversary campaign.





World Milk Day Campaign

As part of its 45th-anniversary campaign, Sütaş aired an advertisement on national and themed channels on May 30 and June 1 to celebrate World Milk Day. The advertisement reached out to 10 million people, spreading the message "May all the goodness of milk be with you, happy World Milk Day." In addition to television broadcasts, we published World Milk Day messages and advertisements on social media accounts.

Similarly, to highlight milk and dairy products' benefits on World Milk Day, we also delivered a milk glass and some milk along with a flyer explaining the goodness of milk to influencers who appeal to our target audience.

World Milk Day comic strips were also posted in supermarkets and convenience stores.



World Milk Day Special Webinar Series Aired

We partnered with Dünya Gazetesi to host four engaging webinars as part of the World Milk Day campaign. Our aim was to promote accurate information on the benefits of milk and dairy products, and to reinforce our position as the industry leader in this sector.



The Sütaş Ramadan Campaign

This Ramadan, as we all remained home in safe social distance, Sütaş broadcast its annual advertisement highlighting our continuous support for and unique bond with our consumers with the slogan, "Iftar in Turkey, pride for Sütaş."

Sütaş's drummer filter, designed for Ramadan and the holiday season, successfully reached 12 million people and generated consumer engagement. To promote the filter, we collaborated with popular influencers who are closely followed by our target audience.

To engage with our audience during Ramadan, we shared daily calendar content on our social media accounts, such as Turkish folk poetry, the tip of the day, and "today's recipe," reaching out to 21 million people.

In our advertisement, we wished all our consumers a happy Ramadan with the message, "May we have many Ramadans with all our loved ones." We teamed up with influencers that appeal to our target audience in cooking delicious recipes and preparing holiday feasts.



New Süttaş Milk Campaign! Süttaş Fresh from the Farm with the Love of Milk Makes You Feel Good

As the pandemic prompted the pursuit of natural and reliable brands, Süttaş launched its advertising campaign as Turkey's most natural and reliable milk brand. The advertisement highlighted that the fresh and natural milk from the happy cows at the Süttaş Farm makes everyone, both children and adults, feel good. Television, radio, digital platform, and field events were also organized to support the advertisement.



"Fun and Cheerful" Süttaş Fruit Milk Campaign

In pursuit of our goal to become children's favorite chocolate and fruit milk brand, we designed brand-new content to encourage fun at home, as children have to spend more and more time there.

We encouraged children to download our application through our television and digital platform campaigns and registered 100,000 downloads in 2020.



Süttaş Introduced Brand-New "No Sugar Added Milk" Containing Lots of Cheer but No Sugar!

Süttaş's chocolate- and fruit-flavored milk family expanded with new innovations in 2020! Hitting store shelves in November 2020, our sugar-free milk met the children's taste expectations at the highest level. These sugar-free milks are also lactose-free and available in children's favorite chocolate and strawberry varieties.



We Highlighted that Our Yogurt Only Contains Fresh Milk and Fresh Starter in Our "Süttaş Yogurt Trust-Building Campaign"

As the Dairy Farmers of Turkey, we aimed to restore the reputation and trust in store-bought yoghurt and to encourage consumers to choose Süttaş yoghurt with ease of mind in our "Süttaş Yogurt Trust-Building Campaign."

With yogurt consumption on the rise to boost the immune system during the pandemic, we broadcast our "Süttaş Yogurt Trust-Building Campaign" to alter the perception of "long shelf life equals not natural" that stands between store-bought yogurt



and the consumer. Our campaign explained how we produce Sütaş yogurt with crucial expertise and mastership.

In addition to our strong plan on television, we published our video graphics on the criteria for yogurt's shelf life on digital platforms and social media accounts, such as Instagram, Facebook, and YouTube, and reached the masses. We also designed visual guides on our yogurt-making methods and printed them on our packaging and promotional materials at sales points.

The campaign was launched in three stages in April, June–July, and September–October. Our campaign boosted Sütaş Set Yogurt sales by 16 percent in metric tons and increased our market share by 3.3 percent, reaching 29 percent.



We Published Our Sütaş Strained Yogurt Recipes for All Our Consumers

In 2020, consumers spent more time at home and preferred to cook for themselves as the pandemic broke out. We cooperated throughout the year with Yemek.com to prepare new recipes using Sütaş Strained Yogurt and introduced them to our consumers.

Sütaş Strained Yogurt grew by 25 percent in turnover in 2020.

*Source: Nielsen Retail, Excluding HD



Sütaş Fruit Yogurt "Lots of Fruits, Lots of Taste" Taste Communication Aired for Our Consumers

Our communication campaign highlighted our outstanding flavor, stemming from an abundance of fruits, to stir the memory of Sütaş Fruit Yogurt in our consumers' minds.

We brought back this memory with our 15-second commercial, including appetizing shots and a jingle describing the flavor of our fruit yogurt. The commercial prompted more people to try our product. The advertisement boosted the product preference, turned it into a healthy appetizer alternative in consumers' eyes, and escalated our fruit yogurt sales.

We Underlined the Natural Ingredients and Health Benefits of Our Garlic Yogurt and Caciki "Health Campaign"

Sütaş aimed to encourage everyone to try our products. We launched a garlic yogurt giveaway for every purchase on the Sütaş Market from October 1 to 31.

We then updated our giveaway campaign to include the Health Campaign on our digital and social media.



We posted our products' health benefits in December across our digital platforms and social media.

The campaign's first stage in October registered 13.7 million views, exceeding our goals by 1.4 times. During the same period, garlic yogurt sales increased by 4.1 times and Caciki sales by 2.6 times on the Sütaş Market.*



For Your Health or Your Palate, Enjoy Your Recipe with Süttaş Butter!

The Süttaş Butter advertisement, starring those watching their health and prioritizing pleasure in recipes, was broadcast in a light and fun commotion. Strong television communication was supported on alternative platforms and shopping applications to boost the communication campaign's reach.

Süttaş Butter achieved the highest category boost in 2020, thanks to its successful communication campaign. The brand's market growth was twice that of the overall market, affirming its leading position in the brand product category!



Süttaş Cream Family Grows!

Süttaş cream product portfolio has been expanded to cater to the evolving needs and preferences of its target audience. In November, Süttaş launched its Cooking Cream product as a budget-friendly option for consumers who use cream primarily in their meals and sauces.



Süttaş Cream Makes Every Meal and Dessert a Dream!

The first communication campaign to highlight Süttaş Cream's taste and versatility ran throughout 2020 for our consumers.

Be it a dessert, a main course, or a sauce, Süttaş Cream boosts the taste of any dish. The main message of our advertisement campaign, accordingly, is "Süttaş Cream Makes Every Meal and Dessert a Dream!" In support of the compelling visibility of our television commercial, we spread the word about the campaign across Turkey through banner advertising, radio, digital communication platforms, and shopper events.



Süttaş introduced two new products to HoReCa customers: Clarified Butter and Tava Kaymak.

In 2020, Süttaş remained dedicated to developing products and expanding its portfolio to cater to the needs of hotel, restaurant, and catering (HoReCa) customers. With a rich flavor of cow's, sheep's, and goat's milk, Süttaş Clarified Butter enhances every recipe while baking baklava to a perfect crisp.

On the other hand, the must-have of all desserts and breakfasts, Süttaş Kaymak, now comes in a 1,000 g container to provide the necessary portions to masters.





Izgarella on the Grill or the Pan for the Delightful Taste of Warm Cheese!

We introduced Izgarella, a delightful product bringing the taste of cheese to the grill and the thrill of grilling to cheese. Easily cooked on a pan or grill, Izgarella appeals to cheese and grilling enthusiasts with its perfect salt ratio and single-use packaging. The whole family will enjoy Izgarella for breakfast and dinner alike. First promoted on television, the strong advertisement campaign was supported across Turkey on the radio, digital communication platforms, and shopping applications.

White Cheese Form Product Launch

Consumers are increasingly recognizing the importance of maintaining a healthy diet and making lifestyle choices that support a strong immune system. The new Sütaş White Cheese Form is a delicious and essential addition to consumers' daily diets. This innovative addition to the white cheese product family boasts an incredibly light and creamy texture that is unmatched in taste and quality. The White Cheese Form contains 50 percent less fat and 50 percent less salt and is a healthy and tasty option for breakfast and salads.



The Taste Stretches On and On! Sütaş Kolot and Pita Pizza Cheese Product Launch

We listened to our consumers and their changing habits and launched our Kolot Cheese and Pita Pizza Cheese to add our unique taste, stretching cheese, and nutritional quality to the muhlama, pita, and pizza they most enjoy cooking at home.

We supported product launches through recipe communication on digital platforms and in-store shopping applications.

4.1 Key Market Developments



In 2020, Süttaş reached 78 percent of all households in Turkey and eight out of every 10 households in the dairy market.¹

In 2020, the brand registered 19.7 billion Turkish lira in turnover, with a 29.6-percent growth in the packaged dairy products retail market. Süttaş maintained its position as the market leader in branded products with a 9.4-percent* turnover share.²

The turnover and volume shares of Süttaş in its top categories are as follows:

Category 2020*	Volume Share (%)	Turnover Share (%)
Standard Set Yogurt	9,1	11,7
Flavored Yogurt	96,4	94,5
Fruit Yogurt in Tube for Children	100	100
Yogurt for Babies	100	100
Light Yogurt	75,3	76,3
Pan Yogurt	6,4	9,4
1-Liter Bottle of Ayran	24,7	26,8
Ayran in a Cup	12,6	17,4
Fresh White Cheese-Cultured Regular	13,5	14,5
Light Fresh White Cheese Cultured Light	13,2	16,1
Ultra Filtrated White Cheese-Cottage	18,2	19,3
Fresh Kashkaval Cheese-Regular	10,9	11,9
Mihaliç Cheese	15,8	22,0
Processed Sliced Kashkaval Cheese	20,9	16,7
Cream Cheese Regular	8,4	9,2

Süttaş Milk

In 2020, Süttaş Milk ranked third in the market with a 6-percent turnover share. Süttaş UHT Milk had a 5.5-percent turnover share, Süttaş Pasteurized Milk had 9.5 percent, and Süttaş Chocolate and Fruit Milk had 10.0 percent.²

Süttaş Butter

Süttaş Butter held an 11.1-percent share in 2020 turnover.²

Süttaş Yogurt

Süttaş Yogurt maintained its leadership in 2020 with a 12.1-percent turnover share. Süttaş Set Yogurt registered an 11.7-percent turnover share, while Süttaş Light Yogurt reached a 76.3-percent share. The turnover share of Süttaş in Cream-On-Top Yogurt In a Glass Bowl is 16.2 percent. Süttaş Cream-On-Top Pan Yogurt achieved a 9.4-percent turnover share. Süttaş Strained Yogurt registered a 25-percent growth and concluded 2020 with a 13.6-percent share in turnover. As for Fruit Yogurt for Adults, the turnover share of Süttaş stood at 10.4 percent.²

Süttaş Ayran

Süttaş Ayran registered a 7.6-percent turnover growth. Süttaş Ayran maintained its leading position in the ayran market in 2020 with a 23.5-percent turnover share.²

Süttaş Cheese

In 2020, Süttaş Cheese maintained its leading position in the cheese market with a 9.6-percent turnover share. Süttaş Fresh White (Cultured) Cheese, Fresh Kashkaval Cheese, Strained, and Cream Cheese are all leaders in their corresponding categories with turnover shares of 14.5 percent, 11.9 percent, 19.3 percent, and 9.2 percent, respectively. Süttaş Triangle Cheese has a turnover share of 7.5 percent, and Süttaş Labaneh has a 9.1-percent turnover share.²

Taste, Joy, and Functional Products

Süttaş Büyümix completed 2020 with a turnover share of 11.0 percent, Süttaş Tatlımmmm with 6.6 percent, and Süttaş Minimix with 9.5 percent.²

1. Ipsos Household Consumption Panel, 2020

2. Nielsen Retail Measurement Panel, Including Discount Markets, 2020, Among Branded Products



4.2 Export Activities

As the pandemic curbed HoReCa consumption worldwide, Sütaş still had a successful year in 2020 despite the reduced turnover in industrial products in foreign trade.

As the export volume of consumer goods narrowed by 4 percent, Sütaş registered 35-percent growth and conducted regular export operations to 28 countries. We compensated for significant losses in HoReCa channels via the retail channel through both existing and new customers. The steady growth over the last five years was sustained despite the negative impacts of the pandemic. As for the outstanding developments in 2020;

EU Markets

A Germany-based EU export operation was established, and periodic export runs were launched. We deliver our products regularly in cooperation with one of Germany's well-established ethnic food distributors, MARMARA GmbH, to Germany, France, Austria, Belgium, the Netherlands, and Switzerland. In 2020, Sütaş carried out 20 percent of the total dairy products exported to Germany (Starting from April 2020).

Hürriyet

Hasret bitiyor! Sütaş, Marmara ile Avrupa raflarında!

Türkiye'nin lider süt ürünleri markası Sütaş, Avrupa'daki satış ve dağıtım operasyonunu yürütmek üzere Marmara ile sözleşme imzaladı.

SÜTAŞ'ın özlenen doğal lezzetlerine şimdi **Avrupa'nın** seçkin marketlerinde, en hesaplı fiyatlara ulaşmak mümkün. Sütaş'ın, Türkiye'de Bursa, İzmir, Aksaray ve Kuzey Makedonya'da Üsküp tesislerinde üretim yaptığını ifade eden Sütaş İhracat Direktörü Arman Anık "Sütaş'ın doğal lezzetlerini Avrupa'daki tüketicilerimize ulaştırmak için yetkili bayi olarak **Marmara**'ya anlaşıp, sektördeki 40 yılı aşkın tecrübesi, profesyonel altyapısı ve Avrupa'da her noktaya kolaylıkla ulaşabilen bakan ve geniş satış ağı ile Marmara'ya güveniyoruz. Hasret bitti. Sütaş'ın özlenen doğal lezzetleri Avrupa sofralarına Marmara ile ulaşacak" diye konuştu.



We entered the U.K. market in the second half of 2020 and reached nearly 400 sales points across 30 cities in six months. In 2020, Sütaş accounted for half of the total dairy products exported to the U.K. from Turkey.



We maintained our steady growth in the Middle East and North Africa and registered an above industry average growth, particularly in Egypt, the United Arab Emirates, Oman, Bahrein, and Iraq. In February, we participated in the region's largest food fair, Dubai-Gulfood, and met with a total of 342 companies, including those operating in industrial products, from 63 countries.

Our turnover in the U.S. market grew by 83 percent compared to the previous year. In the U.S. ethnic market, over 30 of our products have become regular fixtures on shelves in over 1,000 sales points across 51 different cities.

Our turnover grew by 38 percent in Azerbaijan and Nakhichevan markets, and our access to organized retail in Azerbaijan reached 90 percent.



In 2020, we added Sierra Leone to our portfolio in the **African** market and sustained regular and continuous delivery.

In cooperation with our partner in Afghanistan, we began providing dairy products for the German Army as we have supplied our products for a long time to our heroic army, a part of the United Nations mission.

We dispatched regular container deliveries to the Japanese market to provide our products, with a particular interest in White Cheese.



Once the export restrictions to the **Chinese** market were removed halfway through the year, we launched our first export operation from Turkey to China in June. Within the scope of our agreement with a globally well-known international company, we will export approximately 6,000 metric tons of powdered products to the Chinese market in 2021.

While our presence in the Chinese market has been a work in progress, we are committed to establishing a lasting presence in both the retail and HoReCa channels. We are currently in the process of identifying and establishing partnerships with regional distributors, with the aim of beginning trade in the first half of 2021.

Commercial Marketing Activities

In addition to participating in trade shows in 2020, we also maintained international branding efforts launched in 2017 with the support of the Turquality program. We established direct contact with shoppers through in-store activities, mainly in the Middle Eastern and European markets.

With great support from our R&D and Marketing departments, we launched the following products throughout the year:

- "Cheddar" in the Turkish Republic of Northern Cyprus market,
- "Cream Cheese in Glass Container With Blue Cap" in the Middle Eastern and North African markets
- "Grated cheese" in 200 g packaging and mozzarella in 400 g packaging in the Gulf and Iraq markets
- "Fresh Cream Cheese" in the Japanese and Chinese markets



5. SÜTAŞ A.Ş. FINANCIAL INFORMATION 2020

5.1 General Information

5.1.1 Accounting Period of the Report

The accounting period of the report is January 1–December 31, 2020.

5.1.2 Trade Name

Sütaş Süt Ürünleri A.Ş.

5.1.3 Trade Registry Number

The trade registry number is 543.

5.1.4 Headquarters and Contact Information

Uluabat Mahallesi, Karacabey, BURSA Phone: +90 224 688 51 01

5.1.5 Website

www.sutas.com.tr

5.1.6 Branches and Contact Information

The company's branches and contact information are provided in the table below.

Sütaş A.Ş. Head Office	0216 572 30 50	Kayseri Regional Office	0352 240 26 21
Aksaray Factory	0382 266 20 01	Konya Regional Office	0332 345 47 36
Karacabey Factory	0224 688 51 01	Mersin Regional Office	0324 235 40 05
Tire Factory	0232 216 27 00	Eskişehir Regional Office	0222 330 42 42
Ankara Regional Office	0312 354 87 15	Trabzon Regional Office	0462 341 29 22
Antalya Regional Office	0242 340 48 13	Aksaray Regional Office	0382 266 20 01
Bursa Regional Office	0224 211 40 66	Alanya Regional Office	0242 519 04 48
İst. Anadolu Regional Office	0216 572 30 50	Bandırma Regional Office	0266 721 01 52
İst. Kartal Regional Office	0216 427 72 18	Bodrum Regional Office	0252 358 61 83
İst. Avrupa Kağıthane Regional Office	0212 294 63 02	Kocaeli Regional Office	0262 349 22 06
İst. Avrupa Merter Regional Office	0212 483 08 08	Keşan Regional Office	0284 715 28 27
İst. Kırşehir Regional Office	0212 403 64 00	Söke Regional Office	0256 518 88 92
İzmir Regional Office	0232 435 39 30	Yalova Regional Office	0226 825 33 50
Adana Regional Office	0322 445 32 95	Diyarbakır Regional Office	0412 251 82 76
Çorlu Regional Office	0282 686 77 87	Balıkesir Regional Office	0266 243 83 10
Denizli Regional Office	0258 251 89 10	Kütahya Regional Office	0274 999 17 54



5.1.7 Organizational Structure and Senior Management

The company's senior management consists of a general manager and two assistant general managers.

Name/Surname	Job Title
Funda Ak	General Manager
Fatih Büyüktutku	Assistant General Manager—Financial Affairs
Hüseyin Yılmaz	Assistant General Manager—Sales Operations

The below-listed departments of our parent company provide support for our activities.

Name/Surname	Departments
Murat Arat	Chief R&D and Technology Officer
Hüseyin Mustafa Çevik	Chief Financial Affairs Officer
Ergun Ermutlu	Chief Marketing Officer
Serpil Veral	Chief Human Resources and Management Systems Officer
Aynur Duygu Yılmaz	Chief Audit Officer

As of December 31, 2020, we have 4,067 employees, including those employed at our subsidiaries.

5.1.8 Shareholding Structure

Company Partners	Amount of Capital (TRY)	Share in Capital (%)
Yılmaz Holding A.Ş.	20.527.333,33	50,07
Muharrem Yılmaz	20.315.719,70	49,55
Other	157.946,97	0,38
Total	41.000.000,00	100

There are no privileged shares or privileged voting rights granted at our company.



5.1.9 Direct and Indirect Affiliates and Share Ratios

5.1.9.1 Subsidiaries

Subsidiary Trade Name	Field of Operation	Capital Stock (Euro)	Paid-In Capital (Euro)	Capital Subscription Amount (Euro)	Capital Ratio (%)
Euro Dairy DOOEL/ North Macedonia	Production, Sales, and Distribution of Milk and Dairy Products	7.000.000	7.000.000	7.000.000	100
Euro Dairy SRL/ Romania	Production, Sales, and Distribution of Milk and Dairy Products	10.000.000	10.000.000	10.000.000	100
Balkan Dairy Shpk/Albania	Sales and Distribution of Milk and Dairy Products	50.000	50.000	50.000	100
Balkan Dairy Shpk/ Kosovo	Sales and Distribution of Milk and Dairy Products	50.000	50.000	50.000	100
Euro Dairy Farm DOOEL/ North Macedonia	Production of Wheat, Grains, and Seeds	5.000	5.000	5.000	100
Euro Dairy GmbH/ Germany	Sales and Distribution of Milk and Dairy Products	500.000	500.000	500.000	100

5.1.9.2 Joint Ventures

Subsidiary Trade Name	Field of Operation	Capital Stock	Paid-In Capital	Capital Subscription Amount	Capital Ratio (%)
Nishat Sutas Dairy Limited/ Pakistan	Production, Sales, and Distribution of Milk and Dairy Products	150.000.000 PKR (Rupi)	1.470.000 USD	75.000.000 PKR (Rupi)	50

5.1.9 Board of Directors

Name/Surname	Job Title	Term Started On
Muharrem Yılmaz	Chairman and Executive Member of the Board of Directors	22.04.2020
Serpil Veral	Deputy Chairman	22.04.2020
Selim Tarık Tezel	Deputy Chairman	22.04.2020
Murat Arat	Member	22.04.2020
Hüseyin Mustafa Çevik	Member	22.04.2020
Ergun Ermutlu	Member	22.04.2020
Mürvet Tezel	Member	22.04.2020
Aynur Duygu Yılmaz	Member	22.04.2020
Haydar Yılmaz	Member	22.04.2020
İlhan İl	Independent Member	22.04.2020

Due decisions were made regarding the representation and binding of the company on April 28, 2016, and were duly announced. Two persons are authorized to represent the company in external affairs. The authority limits on the company's external representation and binding are outlined in the list of authorized signatures issued by Üsküdar 17th Notary Office on June 1, 2016, per journal number 19006.



5.1.10 Committees of the Board of Directors

5.1.10.1 Audit and Risk Committee

The Audit and Risk Committee consists of the members listed in the table below. The company closely follows the most recent regulations and national and international best practices on internal audit and risk management systems. The Audit Committee convened four times in 2020. During these meetings, the Audit Department's audit conclusions were discussed, participants were informed about the issues identified, and the related risk management activities were evaluated. The committee works continuously to ensure the close monitoring of risks across the group, establish checkpoints, review written procedures on an activity-by-activity basis, develop internal control systems, and undertake legal responsibilities. The committee is also evaluating proposals for tax and financial statement auditing services and coming together with the auditors from the Independent External Audit Company to review the findings and due actions to minimize the identified risks. The Audit Committee that convened on March 2, 2020, advised Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst & Young) to the Board of Directors for the independent auditing of the company.

Name/Surname	Job Title	Term Started On
İlhan İl	Chairman	22.04.2020
Mürvet Tezel	Member	22.04.2020
Aynur Duygu Yılmaz	Member	22.04.2020

5.1.10.2 Business Ethics Committee

The Business Ethics Committee consists of the members listed in the table below. The committee meets weekly.

Name/Surname	Job Title	Term Started On
Mürvet Tezel	Chairman	22.04.2020
Serpil Veral	Member	22.04.2020
Aynur Duygu Yılmaz	Member	22.04.2020

5.1.10.3 Sustainability Committee

The Sustainability Committee consists of the members listed in the table below. The committee meets weekly.

Name/Surname	Job Title	Term Started On
Aynur Duygu Yılmaz	Chairman	22.04.2020
Murat Arat	Member	22.04.2020
Ergun Ermutlu	Member	22.04.2020

5.1.10.4 Corporate Governance Committee

The Corporate Governance Committee consists of the members listed in the table below. The committee convened four times in 2020.

Name/Surname	Job Title	Term Started On
Aynur Duygu Yılmaz	Chairman	22.04.2020
İlhan İl	Member	22.04.2020
Serpil Veral	Member	22.04.2020



5.1.11 Information on Transactions Performed by the Members of the Board of Directors under the Non-Competition Restriction

The Members of the Board did not carry out any transactions concerning the company, nor did they engage in any transactions under the non-competition restriction during the January 1–December 31, 2020, activity period.

5.1.12 Compensation and Financial Rights Provided to the Members of the Board of Directors and Senior Executives

The total amount of benefits, including honorariums, fees, bonuses, premium payments, and dividends, paid to senior management, including Board Members, during the January 1–December 31, 2020, activity period equals 12,388,126 Turkish lira.

5.1.13 Research and Development Activities

Sütaş Süt Ürünleri A.Ş. ("Company") spent 20,456,827 Turkish lira on technology and R&D as part of its environmental and efficiency efforts in the January 1–December 31, 2020, activity period.

5.1.14 Domestic and Foreign Investments

The company made 540,042,572 Turkish lira in investments during the January 1–December 31, 2020, activity period.

5.1.15 Information on Private and Public Audits

Government agencies carried out routine audits from January 1 to December 31, 2020. We submitted conciliation requests for previous tax assessments notified to our company during the audits in the earlier periods. A date for conciliation is yet to be announced. As corporate tax advisors consider assessment litigation to violate the law and the opinions and practices of the Ministry of Finance, we expect the judicial authorities to rule this conflict in favor of the company. Therefore, the company did not allocate any amount in the financial statement.

5.1.16 Major Lawsuits

No major lawsuits that would significantly impact the company's activities or financial status were filed against the company during the January 1–December 31, 2020, activity period.

5.1.17 Judicial and Administrative Sanctions

No judicial or administrative sanctions were imposed on the company or management due to legislative violations during the activity period.

5.1.18 Aids and Donations

The company gave 851,222.23 Turkish lira in aid and donations to various institutions during the January 1–December 31, 2020, period.

5.1.19 Relations with the Controlling Company

Our company carried out no transactions offsetting or benefitting other group companies as part of its relations with Yılmaz Holding A.Ş., its majority shareholder, or with other group companies under the holding company's instructions.



5.2 Corporate Management

5.2.1 Board of Directors



MUHARREM YILMAZ
CHAIRMAN

Muharrem Yılmaz was born in 1957 in Karacabey, Bursa. He completed his secondary education at Galatasaray High School, then obtained his bachelor's degree in Economics in 1980 from the Faculty of Economics and Social Sciences at Uludağ University. Yılmaz joined the family company Sütaş while still an undergraduate and was assigned as General Manager in 1989. He has been a member of the board at Sütaş since 2005. He has also been active in civil society organizations. He was the chairman of the Young Businessmen's Association of Turkey (TUGIAD) from 1999 to 2002. Sitting on the TUGIAD Board of Directors during two activity periods, Yılmaz also undertook the role of board member from 2009 to 2010, vice president from 2011 to 2012, and president from 2013 to 2014. Yılmaz also assumed similar responsibilities in other business organizations during his term as a Board Member at TUSIAD, and was the Chairman of the Corporate Governance Association of Turkey (TKYD). During the same period, he was vice president for the Turkish Enterprise and Business Confederation (TURKONFED) and Federation of Industrial Associations, the regional and sectoral stakeholders of TUGIAD, respectively.



S. TARIK TEZEL
DEPUTY CHAIRMAN

Selim Tarık Tezel was born on November 13, 1961, and obtained his bachelor's degree from the Department of Interior Architecture at the State Academy of Fine Arts (Mimar Sinan University) in 1987. After working abroad, he returned to Turkey to complete his post-graduate studies. Tezel operated his own architecture practice between 1989 and 1994, and Sütaş recruited him as the Advertising and Public Relations Manager in 1994. He served as the Assistant General Manager of Purchasing and Logistics between 1998 and 2007 and as the Chief Supply Chain Officer from 2007 to 2012. Tezel was appointed as General Manager at Tarfaş A.Ş. in 2011 and has been concurrently serving as deputy chairman of both Sütaş A.Ş. and Tarfaş A.Ş. Boards of Directors.



SERPİL VERAL
DEPUTY CHAIRMAN

Born on March 9, 1966, Serpil Veral obtained her bachelor's degree in 1989 from the Department of Food Engineering at Ege University. She started her career at Sütaş Süt Ürünleri A.Ş. in 1988. She served, respectively, as Production Manager, Quality Assurance Coordinator, Assistant General Manager of Technical Affairs, and Chief Management Systems Officer. She was the General Manager of Sütaş Süt Ürünleri A.Ş. from 2010 to 2016. Veral currently serves as Deputy Chairman and Chief Human Resources and Management Systems Officer at Sütaş Group. Serpil Veral concurrently functions as vice chairman at the Turkish Enterprise and Business Confederation (TURKONFED).



MURAT ARAT
MEMBER

Murat Arat was born on February 19, 1970, in Istanbul. Arat attended primary, middle, and high school in Bursa and completed his undergraduate studies at the Department of Food Engineering at Middle East Technical University in 1992. He completed his MBA at Istanbul University in 1993. He worked as a Planning Specialist, then as a Planning Manager from 1993 to 1996 at Mis Süt Sanayi A.Ş. He started his position as Assistant to the General Manager at Sütaş in 1996. He then worked as an Investment Coordinator from 1998 to 2006. Between 2006 and 2008, he was the Assistant General Manager of Production. He has served as the Chief R&D and Technology Officer at Sütaş Group since 2008. In addition to these duties, since 2013, Arat has served as the deputy chairman of Enfaş A.Ş., the energy industry company of the Sütaş Group.



**H. MUSTAFA ÇEVİK**
MEMBER

H. Mustafa Çevik was born on December 12, 1958. He graduated in 1980 from the Faculty of Economics and Social Sciences at Uludağ University. He began his professional career at Pamukbank as Deputy Inspector and was gradually promoted to deputy director of the Inspection Committee, Branch Manager, and then Assistant General Manager. Çevik joined Sütaş A.Ş. in 2002 as Assistant General Manager of Financial Affairs and has been Chief Financial Officer since 2004. He has also been a member of the board at Sütaş Süt Ürünleri A.Ş.

**ERGÜN ERMUTLU**
MEMBER

Ergun Ermutlu was born in 1958, and he completed his secondary education at Galatasaray High School. While his undergraduate journey began in the Department of Business Administration at Middle East Technical University, he eventually graduated from the Department of Economics at Boğaziçi University. He obtained his MBA from Marmara University. Ermutlu's career took off in 1975 as the Marketing Officer at Erbak Uludağ A.Ş. before he joined Total Group, where he served as the Marketing Director from 1993 to 1995. He then obtained the position of Franchising Director at Boyner Group and remained there from 1995 to 2000. He joined Sütaş in 2001 as the Marketing Advisor. He is the Chief Marketing Officer and a board member at Sütaş Group.

**MÜRVET TEZEL**
MEMBER

Mürvet Tezel was born on November 28, 1961, and graduated from the Biology-Chemistry Department at the Balıkesir Necati Bey Faculty of Education of Uludağ University. Tezel's career started in 1995 at Sütaş when she was assigned to the accounting department in the Istanbul and Bursa Regional Directorates until 2004. From 2005 to 2015, Mürvet Tezel served as a member of the Sütaş Audit Committee. Tezel serves as a board member, the chairman of the Business Ethics Committee, and a member of the Audit and Risk Committee at Sütaş Süt Ürünleri A.Ş.





A. DUYGU YILMAZ
MEMBER

Born in Bursa in 1976, Duygu Yılmaz obtained her bachelor's degree from the Department of Business Administration at Boğaziçi University in 1998. Her career began in 1998 in the Turkey office of PriceWaterhouseCoopers. She then served as the Group Manager in charge of Financial Planning and Financial Affairs at Yapı Kredi Bank from 2005 to 2008. In 2008, she joined Sütaş as an Internal Audit Coordinator and was promoted to Chief Audit Officer and has been a member of the board since 2011. She also serves as the chairman of the Corporate Governance Committee and the Sustainability Committee. Duygu Yılmaz also sits on the boards of the Business Council for Sustainable Development Turkey (BCSD Türkiye) and the Corporate Governance Association of Turkey (TKYD).



HAYDAR YILMAZ
MEMBER

Haydar Yılmaz was born on February 2, 1958. He started working at Sütaş in 1990. He served as a Hospitality Sales Chief from 1990 to 1991 and then as the Regional Manager for İstanbul from 1991 to 2000. From 2000 to 2004, he was a Key Account Sales Coordinator, and from 2004 to 2006, he was the Deputy General Manager of Sales. Between 2006 and 2010, he was the HoReCa Food and Consumption Services Group Director. He has been a member of the board at Sütaş A.Ş. since 2010 and has served as General Manager for the Macedonian operations of Sütaş since 2015.



İLHAN İL
INDEPENDENT MEMBER

İlhan İl obtained his bachelor's degree in 1983 from the Department of Public Finance at the Faculty of Political Sciences at Ankara University and moved on to get his master's degree in International Business Economics at the University of the West of England in 1994. İl's career took off as a Junior Accountant at the Ministry of Finance in 1984. In 1994, he was appointed Advisor to the Minister of Economy and, in 1995, as Deputy General Manager of Economic Research and Assessment at the Prime Ministry Undersecretariat of Foreign Trade. İl joined Bilkent Holding in 1997 and served, until February 2015, as a member of the Coordination Council at Bilkent Holding; as chairman of Tepe Home, Tepe Betopan, and Tepe Prefabrik; and as vice chairman at Bilkent Cyberpark. İlhan İl has been an independent member of the board at Sütaş A.Ş. since April 2015. İlhan İl concurrently serves as the chairman of the board at Travelex Türkiye and as a member of the board at Paşabahçe Mağazaları A.Ş.



5.2.2 Working Principles of the Board of Directors

The board is the company's highest level of strategic decision-making and management and is the supervisory and representative organ.

The Board of Directors reserves the right to decide on all matters except for issues assigned to the authority of the General Assembly, save for the non-assignable and inalienable duties and authorities stipulated by the relevant laws and the company's Articles of Association. The board, nonetheless, holds the right to delegate, in whole or in part, its managing authority to one or more board members, to the board committees, to the chairman of the Executive Committee, to the Executive Committee, or to members of the Executive Committee in compliance with the restrictions and limitations as outlined in a previously agreed-upon internal directive. Within that scope, the board may annul, amend in whole or part, or reformulate the delegated authorities.

The board members will be severally liable for the consequences should they fail, by intent or negligence, to fulfill the responsibilities assigned to them by the applicable legislation, the Articles of Association, or the General Assembly. The board members (except for the independent members) cannot take on any duties outside of the company that would present a conflict of interest or prevent them from undertaking their tasks at the company.

As a principle, the board members cannot engage in transactions or competition with the company. Should such a case arise, the board member shall immediately notify the Board of Directors in writing. Shareholders shall be informed of the case during the next General Assembly meeting, and it will be featured in the Annual Report. Board members can only engage in transactions or compete with the company upon shareholder approval. The Board of Directors is authorized on this matter by the General Assembly meetings.

The Board of Directors regularly convenes once a month according to a schedule confirmed in advance. Also, where deemed necessary, the board can meet immediately, irrespective of the said period. The Board of Directors convenes in Istanbul; however, the meeting can be moved to another location upon the approval of more than half of the Members. A secretariat reporting to the chairman and at the service of all board members is established to keep accurate and orderly archives of the board meeting documents.

The Board of Directors convened 22 times in 2020. The meetings were held with the participation of all members. The meetings were convened at the corporate headquarters, and invitations were delivered by phone or email. The members approved the board resolutions made during these meetings by a unanimous vote of those present with no dissenting voice.

5.2.3 Committee Assessment of the Board of Directors

The Board of Directors reported that the committees operated in line with the working principles and stipulated meeting frequency during the January 1–December 31, 2020, period. The relevant minutes regarding meeting conclusions were submitted to the Board of Directors. It was determined that the committees undertook their assignments efficiently. The Audit and Risk Management Committee also submitted one written notification to the Board of Directors in 2020.

5.2.4 Internal Control and Audit Activities

The Audit and Risk Committee, instituted by the Board of Directors, establishes the systems necessary for the accounting, internal control, risk management, and financial planning units; ensures the functioning, compliance, and adequacy of these systems; and determines the relevant internal powers and responsibilities.



As the Audit and Risk Committee assumes these responsibilities, the Audit Department works with the findings of the approving institutions in independent auditing and certified public accounting services.

The Audit Department regularly reviews the company's risk management and internal control system within the framework of the risk-based annual audit plan to achieve the following objectives and reports directly to the Audit and Risk Committee in line with the following objectives:

- Accuracy and reliability of financial and operational information
- Effectiveness and efficiency of operations
- Protection of company assets
- Ensuring regulatory and contractual compliance

The company's audit function determines how well the internal control systems work, makes suggestions for improving existing systems, and establishes new systems in areas where the need is determined.

5.2.5 Risk Management

Our corporate risk management relies on identifying all existing and potential risks and developing and monitoring measures to minimize the identified risks.

The Audit and Risk Committee works to implement measures against and manage potential threats to our company's ongoing existence as a going concern, development, and continuity. The overall current and potential risks to our company are outlined below:

- All production activities by the company follow food safety and other relevant legislation and are supervised by food safety management systems. We adapted and integrated into our existing management system the ISO 9001:2008 (Quality Management System Standards), FSSC 22000 (Food Safety System Standards), ISO 50001 (Energy Management System Standards), ISO 14001:2004 (Environmental Management System Standards), OHSAS 18001 (Occupational Health and Safety Management System Standards), and ISO/IEC 27001 (Information Security Management System Standards) to gain higher efficiency in our operations. The annual internal and external audits keep these systems up to date and running.
- The relevant departments periodically monitor the debt-to-equity ratio, foreign exchange risk, and other such financial risk factors that could directly impact the company's financial position at weekly and monthly intervals.
- We implement the "Assurance—Risk Management System" to monitor customer-related risks. Our systems prevent the goods issue when customers exceed individual purchasing limits defined for them.
- The implemented SAP system is a crucial technological component that minimizes current risks and supports decision-making processes. This component tracks the consequences of actions in real-time to eliminate human-related errors and subsequently boosts the efficacy of our internal control systems. The company's assets are insured against natural disasters like fires and earthquakes. The insurance policies, aligned with the assets' true values, are purchased from authorized insurance brokers.



5.3 Financial Information and Explanations

The primary indicators demonstrated in the financial statements for the activities in 2019 and 2020, prepared in compliance with the Turkish Commercial Code (TCC) and the National Accounting Standards of Turkey, are presented in the table below.

5.3.1 Key Indicators of Financial Results

Key Indicators	2020(%)	2019(%)
Current Ratio	1,69	1,97
Days Sales Outstanding	39,7	38,1
Inventory Turnover Days	52,1	51,2
Total Debts/Total Assets	59	63
Gross Sales Profit Margin	20	22
Net Profit Margin	11	9

5.3.2 Developments After January–December 2020

No material events occurred between the financial statement's issue date and the report's preparation.

5.3.3 Management's Financial Situation Assessment

In the January–December 2020 period, we achieved results similar to our estimations and expectations as well as our strategic growth targets. We increased our total assets from 2,830 million Turkish lira in 2019 to 3,714 million as of December 31, 2020. Our net sales registered as 4.06 billion Turkish lira.

5.3.4 Dividend Distribution Policy and Dividend Distribution

Our corporate dividend distribution decisions are based on the provisions of the Turkish Commercial Code, tax regulations, other relevant regulations, and the articles related to dividend distribution in our Articles of Association. In dividend distribution, a balanced and consistent policy is maintained between the interests of shareholders and the company following the corporate governance principles of the Capital Markets Board of Turkey. We aim to distribute at least 20 percent of the distributable income for the period calculated in compliance with the TCC and other relevant legislation in the form of cash and bonus shares. However, this policy is reviewed annually by the Board of Directors from the perspective of investment strategies required for long-term growth, the current economic environment, market expectations, financial requirements, profitability, and cash position and submitted to the General Assembly for approval. Dividends are distributed by the end of the year at the latest in which the relevant General Assembly meeting is held unless otherwise decided in the General Assembly meeting. The General Assembly or, if authorized, the Board of Directors may resolve to distribute dividends in equal or variable installments in compliance with the provisions of the legislation in force. The Articles of Association of our company allow for advanced dividend payments. The Board of Directors, provided that the General Assembly grants it the authority and it complies with the legislation in force, may declare and distribute advanced dividend payments.

The shareholders' company equity, consisting of paid-in capital, capital reserves, and retained earnings, reached 1,516,379,133 Turkish lira as of December 31, 2020.



THE BOARD OF DIRECTORS OF SÜTAŞ SÜT ÜRÜNLERİ ANONİM ŞİRKETİ

MUHARREM YILMAZ
CHAIRMAN AND EXECUTIVE MEMBER OF
THE BOARD OF DIRECTORS

S. TARIK TEZEL
DEPUTY CHAIRMAN

SERPİL VERAL
DEPUTY CHAIRMAN

MURAT ARAT
MEMBER

H. MUSTAFA ÇEVİK
MEMBER

ERGÜN ERMUTLU
MEMBER

İLHAN İL
INDEPENDENT MEMBER

MÜRVET TEZEL
MEMBER

A. DUYGU YILMAZ
MEMBER

HAYDAR YILMAZ
MEMBER



6. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Report

Striving to share the goodness and abundance of milk, Sütaş Süt Ürünleri A.Ş. is aware of its responsibilities to its stakeholders and believes in implementing high corporate governance standards for maintaining successful business practices, sustaining the company, and generating enduring value for stakeholders. With that in mind, we regulate the values, priorities, processes, and rules for our company's management; the powers and responsibilities of our managers; and the rights of all our stakeholders, especially employees, through the corporate governance principles to achieve a bright future.

Sütaş Süt Ürünleri A.Ş. not only complies with all relevant legal regulations but also voluntarily adopts the equality, transparency, accountability, and responsibility concepts advocated in the corporate governance principles outlined in the Communiqué on Corporate Governance (Series: II-17.1) published by the Capital Markets Board of Turkey.

The company highly values measurements and ratings by independent organizations to improve and enhance corporate governance practices continuously.

The SAHA Corporate Governance and Credit Rating, an international rating agency accredited in Turkey to issue ratings in compliance with the Corporate Governance Principles of the Capital Markets Board of Türkiye, completed the "Corporate Governance Rating Periodical Revision Report." Our corporate governance rating, which stood at 95.9 on December 30, 2019, remained the same on December 30, 2020. The distribution of the corporate governance rating score by sub-headings is listed below.

Sub-Headings	Weight	Grade
Shareholders	25%	95,29
Public Disclosure and Transparency	25%	97,84
Stakeholders	15%	98,53
Board of Directors	35%	93,79
Total	100%	95,90

You can find the corporate governance rating report on our corporate website at www.sutas.com.tr/en/. We are continuing our efforts to advance our corporate governance principles further.

Duygu Yılmaz
Corporate Governance
Committee Chair

İlhan İl
Corporate Governance
Committee Member

Serpil Veral
Corporate Governance
Committee Member



SECTION I—SHAREHOLDERS

2. Shareholder Relations Unit

Following the corporate governance principles, our company has a Shareholder Relations Department in place to monitor the relations between our company and our partners, act as a liaison between shareholders and the Board of Directors, and respond to all shareholder requests for information.

The Shareholder Relations Unit consists of the following: Murat Özdalga Murat Coşkun Dilara Kara Murat Özdalga is the unit leader.

The contact information of our employees assigned to the unit is provided below.

Name/Surname	Phone	Email Address
Murat Özdalga	0 224 688 51 01	mozdalga@sutas.com.tr
Murat Coşkun	0224 688 51 01	mcoskun@sutas.com.tr
Dilara Kara	0216 572 30 50	dkokturk@sutas.com.tr

The Shareholder Relations Unit's primary responsibilities include the following:

- Ensuring accurate, secure, and up-to-date tracking of shareholder records
- Responding to written shareholder requests for information concerning the company, excluding any information that is not disclosed to the public, is confidential, and/or is a trade secret following the legislation, the Articles of Association, corporate governance principles, and the disclosure policy
- Ensuring that the General Assembly meeting complies with the effective legislation, the Articles of Association, and other corporate regulations;
- Preparing documents that the shareholders may find helpful at General Assembly meetings
- Assisting the chairman of the meeting in ensuring that the General Assembly meeting minutes are duly taken, that the results of the voting are recorded, and that reports on the results are prepared
- Making recommendations to ensure that the annual reports are prepared as stipulated by the legislation and corporate governance principles

3. Exercising Shareholders' Rights to Information

We responded to all shareholder inquiries submitted to the Shareholder Relations Unit during the period covered by the annual report.

Our company has taken all necessary measures to ensure that the Shareholder Relations Unit swiftly assesses and responds to inquiries for information as thoroughly, accurately, and carefully as possible.

Our shareholders may access explanations on frequently asked matters and developments that will significantly impact their use of rights on our website, www.sutas.com.tr/en/, or at our company headquarters.

All information required for the healthy exercise of shareholders' rights is made available for our shareholders in our annual report at our headquarters.

4. General Assembly Meetings

The General Assembly meeting, where the results of 2020 were discussed, convened at 11 a.m. on April 22, 2021, at the Uluabat neighborhood, Karacabey district, Bursa premises of Sütaş Süt Ürünleri Anonim Şirketi'nin (Sütaş A.Ş. or Company).

A meeting invitation was issued in the Turkish Trade Registry Gazette dated March 31, 2021.



Within the framework of Article 20, "Announcement," of the Articles of Association, all General Assembly meeting invitation announcements are to be made in compliance with the relevant provisions of the TCC, any legislation or communiqué issued within the scope of the TCC, and any other effective regulations.

As of the General Assembly invitation announcement date, all financial tables and reports, including the annual report, potential briefing documents prepared concerning General Assembly agenda items, the latest version of the Articles of Association, and the amendment status of the Articles of Association, the amendment content, and justification, were made available for review by the shareholders at the company headquarters and the indicated branches. If amendments are to be made to the Articles of Association, the previous and amended versions should be included.

All shareholders may access information and documents about the previous General Assembly meeting on our website at www.sutas.com.tr/en/.

If questions unrelated to the agenda or questions too broad to receive an immediate response are raised during the General Assembly, the Shareholder Relations Unit will respond to these questions in writing within 30 business days at the latest.

Shareholders posed no questions during the General Assembly.

5. Voting Rights and Minority Rights

There are no privileged shares or privileged voting rights granted at our company.

All General Assembly meetings and meeting quorums are subject to the TCC's provisions.

Each shareholder or proxy present at the ordinary or extraordinary General Assembly holds one voting right per share. Votes are cast by raising hands at General Assembly meetings.

Shareholders may opt for a secret ballot should those holding a tenth of the capital represented by the participants at an ordinary General Assembly request so.

Shareholders cannot vote at personal business or litigation meetings between themselves or their spouses/their lineal and collateral relatives and the company.

Shareholders or external representatives at the General Assembly meetings may represent other shareholders by proxy in compliance with the TCC's provisions on proxy voting. The proxies, who are also shareholders, are entitled to vote per their own shares as well as per the shares of the principal shareholder.

There is no cross-shareholding relationship between our shareholders and our company.

6. Right to Dividends

There are no privileges in dividend distribution at our company.

Our corporate dividend distribution decisions are based on the provisions of the Turkish Commercial Code, tax regulations, other relevant regulations, and the articles related to dividend distribution in our Articles of Association. In dividend distribution, a balanced and consistent policy is maintained between the interests of shareholders and the company following the corporate governance principles of the Capital Markets Board of Turkey.

We aim to distribute at least 20 percent of the distributable income for the period calculated in compliance with the TCC and other relevant legislation in the form of cash and bonus shares. However, the Board of Directors reviews this policy annually from the perspective of investment strategies required for long-term growth, the current



economic environment, market expectations, financial requirements, profitability, and cash position and submits it to the General Assembly for approval.

Dividends are distributed by the end of the year at the latest in which the relevant General Assembly meeting is held unless otherwise decided in the General Assembly meeting. The General Assembly or, if authorized, the Board of Directors may resolve to distribute dividends in equal or variable installments in compliance with the provisions of the legislation in force. The Articles of Association of our company allow for advanced dividend payments. The Board of Directors, provided that the General Assembly grants it the authority and it complies with the legislation in force, may declare and distribute advanced dividend payments.

7. Transfer of Shares

No provisions restrict the transfer of shares in the company's Articles of Association. The transfer of the shares is carried out under the TCC's relevant provisions.

SECTION II—PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

The purpose of the Süttaş A.Ş. Disclosure Policy is to provide accurate, complete, and transparent information on time to shareholders and stakeholders alike and to set the basis for written and verbal communication. The disclosure policy is based on the TCC, other legal regulations, and corporate governance principles.

The Board of Directors assigns the Corporate Governance Committee to create, develop, and monitor the disclosure policy.

Our company makes use of the following methods and tools when implementing the public disclosure and information policy:

Shareholder disclosures:

Our ordinary General Assembly convenes annually within the legal period, and all necessary information regarding shareholder participation in the General Assembly, as well as capital increase and dividend payment announcements, are published in the Turkish Trade Registry Gazette and communicated by post or email.

The company's financial statements and footnotes, prepared in compliance with the Turkish Financial Reporting Standards and the Turkish Accounting Standards, as well as the independent audit reports, accompanied by the compliance report of the Audit and Risk Committee, are announced to the shareholders through the annual report as stipulated by the TCC regulations.

Our annual reports and all other information and documents required within the framework of legal regulations are accessible to shareholders. Once approved by the Board of Directors, the annual report is disclosed to the public in Turkish and English on the website.

The Stakeholders Relations Unit evaluates any opinions, information, and meeting requests from stakeholders.

Notification via the corporate website:

Our corporate website at www.sutas.com.tr/en/ includes detailed current and historical information related to the company within the scope of the corporate governance principles. Key sections of the website include the following:

- Our Mission, Vision, and Values
- Corporate Governance Principles Compliance Report
- Further on the Information Society Services—Articles of Association



- Trade Registry Information
- Members of the Board of Directors
- General Assembly Reports (Date of meeting, agenda, and list of participants for the General Assembly)
- Company Auditor Information
- Shareholding Structure
- Committees of the Board of Directors
 - Corporate Governance Committee
 - Audit and Risk Committee
 - Business Ethics Committee
 - Sustainability Committee
- Corporate Governance Policies—Disclosure Policy
 - Dividend Distribution Policy
 - Human Resources Policy
 - Information Security Policy
 - Donation and Aid Policy
 - Energy and Environmental Policy
 - Occupational Health and Safety Policy
- Our Code of Ethics
- Annual Reports
- Frequently Asked Questions
- Press Releases
- Sustainability Reports
- Information on the Field of Activity and Products

Disclosure through the Press and Monitoring News in the Press

- The Corporate Communications Coordination Office handles briefings via the press and addresses inquiries submitted by the media.
- The chairman assigns the spokesperson to represent our company on all communication channels, including the press.
- The Corporate Communications Coordination Office tracks all news related to the company on local, national, or international media organizations, including television, print media, the internet, and radio. This information is then shared with senior management.
- If the office comes across any non-factual news report related to the company, then the issue is brought to the chairman's attention.

Disclosures to other stakeholders:

- When shareholders ask questions or prompt previously non-disclosed information to be revealed, a team coordinated by the Corporate Governance Committee, consisting of the chairman, the head of the Shareholder Relations Unit, and the corporate communication coordinator, gathers to discuss the matter from the disclosure policy perspective.
- Customer, supplier, and consumer questions and inquiries submitted to our Hotline via phone, electronic mail, fax, or any other communication channel will be addressed within 24 hours at the latest. If the issue takes longer to be resolved, the customer shall be notified at each step throughout the process. Resolution time is considered a performance criterion for the concerned manager.

9. Corporate Website and Content

The Sütaş A.Ş. website on www.sutas.com.tr/en/ is actively used to inform the public, as stipulated in the new TCC. The website is accordingly structured and sectioned and contains the components of corporate governance principles (Details are in Chapter 8, Disclosure, of this report).

10. Annual Report

The Board of Directors' annual report is prepared to ensure the public's access to complete and accurate information about company activities and the details required by the TCC.



SECTION III—STAKEHOLDERS

11. Disclosures to Stakeholders

Our stakeholders consist of our shareholders, employees, customers, and suppliers. We show the utmost care in keeping them in the loop on any company issues that might concern our stakeholders and regulate our relations with them through written agreements.

In cases where the rights of the stakeholders are not regulated by legislation or a contract, the stakeholders' interests are protected in good faith and to the extent of the company's capabilities, taking into account the company's reputation.

Sütaş A.Ş. does not receive investment consultancy services. The company signs mutual agreements with third parties who provide Sütaş with external services, including ratings, to prevent potential conflicts of interest and to protect the company's rights. No conflicts exist between the company and the consultancy firms that provide services to the company.

12. Stakeholder Participation in Management

Our company is in constant communication with all stakeholders. The feedback from stakeholders is submitted to be evaluated by the senior management after passing through certain stages depending on the internal procedures, and solutions and policies are developed.

Practices that enhance quality, efficiency, and institutionalization are important to our company.

Our company maintains a continuous and regular commercial relationship with its stakeholders, suppliers, and customers, directly or through the persons it assigns. To maintain this relationship following business ethics, the issue of relations with suppliers and customers is discussed in detail in the "Being a Part of the Sütaş Family" booklet, which also includes our ethical rules.

Sütaş A.Ş. prioritizes customer satisfaction in all commercial activities. Customer satisfaction is guaranteed with the follow-up of our products after sale, practices for products on the shelves, and procedures adopted for product returns. Care is taken to keep the confidentiality of customer and supplier information within the scope of trade secrets. Numerous channels through which suppliers, customers, or end customers (consumers) may submit opinions, suggestions, or complaints are closely monitored, and solutions are produced. The organization's performance established for this purpose is continuously measured electronically following the determined criteria.

Our suppliers, customers, or consumers can contact us by phone at 444 4 788 or by email at tuketici@sutas.com.tr and kurumsaliletisim@sutas.com.tr. Our product packaging, website, and advertisements display all communication channels.

13. Human Resources Policy

The Sütaş Group's human resources vision encourages us to build Sütaş into a strong employee brand with a respected mission. It supports us in creating a family of good people, citizens, and dairy farmers who have a strong sense of awareness and responsibility, are masters at their craft, and are highly passionate about share the goodness and abundance of milk.

Recruitment Policy

Our recruitment policy guides us in hiring competent human capital with high potential. It effectively uses the right tools and methods to ensure equal opportunities for all candidates and their proper placement in line with the Sütaş Group's mission, vision, and values. Sütaş A.Ş. aims to achieve sustainability through enhanced employee engagement. The candidates we reach through various channels based on the job description are also



included in assessment processes tailored for each position. In addition to the standard interview, our assessments include personality analyses, English and general aptitude tests, and case studies based on the position level and requirements.

Orientation Policy

Our orientation process helps our new recruits adopt the Süttaş Group's values and prepares them for their new role. During this process, our new recruits learn about the Süttaş Group's vision, mission, values, and business methods and receive all necessary technical training required for their role.

All new personnel in the company participate in the "Dairyman Program," our onboarding and orientation program.

Performance Management Policy

We implement a goal-oriented and competency-based performance management system to guide our employees toward common goals, enhance productivity, and reward success. We formulate performance-based succession planning and career paths. This also dictates our remuneration and benefits processes.

Training Policy

We consider the training of our employees an integral part of our corporate development and continuously invest in our human resources. Our training policy is to support our employees with tailored training sessions to pursue their responsibilities with high motivation and performance.

With that in mind, we design tailored personal development or technical training programs to provide specialization for each job/role or improve ways of doing business.

Career Management Policy

Our career policy revolves around supporting our company's sustainability and preparing our employees for their future roles by evaluating their potential. We prioritize our employees for career and development opportunities available within our company and monitor their advancement from that perspective.

Reward Policy

We reward ideas that add value to our company as part of our Recognition & Rewarding system to encourage employee engagement, support innovative, outstanding and creative ideas, and celebrate achievements together.

Equal Opportunity Policy

Equal opportunity is the basis of our code of ethics and our human resources policy and practices. At Süttaş, we do not tolerate any discrimination based on gender or ethnicity. Employees cannot advocate religious or political views at the workplace during work hours, and such views cannot influence their decisions. All employees can notify the Ethics Committee anonymously of any issues, including gender inequality, mobbing, or sexual abuse.

Code of Ethics Compliance Policy

Chapter 14, "Code of Ethics and Social Responsibility," provides details on this topic.

Remuneration Policy

Süttaş A.Ş.'s remuneration policy is designed to give our company a competitive advantage in the workforce market and to encourage the sustainable performance of our employees.

Within this scope, a graded remuneration system is based on business values. Under this system, our total remuneration package consists of a base salary, a premium payment, a bonus, and fringe benefits.



Each component in our remuneration package depends on our employees' position and seniority, the position's market value, their performance and qualities, inflation rates, and conditions prevailing in the industry.

Increases to the base salary are also made following these criteria. Bonuses are paid according to the base salary at specific intervals and set rates during the year. Performance-based premium payments are paid annually, while sales-based premiums are paid either monthly or quarterly, depending on target realization results in compliance with our premium system. We also implement additional task-based premium systems.

Compensation Policy

Our compensation policy has been established concerning the provisions of Labor Law No. 4857 in force. Within this framework:

- Severance payment is paid to the employee or their legal heirs in the event of the employee's death if the employee had been employed at our company for at least a year and if their contract of service terminated in a manner prompting a severance payment as stipulated in Labor Law No. 4857. The payment amount is calculated based on the employment duration and salary, factoring in the severance payment ceiling.
- Notice payment applies in two forms: the employee is notified that the employment contract will be terminated in compliance with Article 17 of Labor Law No. 4857, and they are either given time off to seek a new job up to the maximum legal period depending on employee seniority or paid the corresponding amount in cash.

14. Code of Ethics and Social Responsibility

The company's activities are carried out under all legal regulations and within the framework of the Code of Ethics established by the Sütaş Group. These rules have been made public on our website, www.sutas.com.tr/en/. The rules are also outlined in our "Being a Part of the Sütaş Family" booklet, distributed to all our employees, and published online on our intranet.

All employees are obliged to comply with the Code of Ethics. The orientation program at the recruitment point provides recruits with an exhaustive written and verbal account of our ethical principles, what to do to support the implementation of ethical principles within the company, the Ethics Committee, how the board operates, how to apply to the committee, and the procedures applied in case of violations to the Code of Ethics.

The Ethics Committee's assessments and sanctions are applied in conformance with the relevant law and legislation. The Ethics Committee promises to protect the anonymity of appeals.

Details on the Business Ethics Committee are provided under heading 17, titled "The Number, Structure, and Independence of Committees Established under the Board of Directors."

The company's social responsibility activities are explained in detail in the relevant sections of the annual and sustainability reports.



SECTION IV—BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors

The Board of Directors is the body that manages and supervises the company at the highest level by using its powers and responsibilities within the framework of the legislation, the Articles of Association, in-house regulations, and policies in line with the authority conferred to it by the shareholders at the General Assembly.

In compliance with the Articles of Association, the Board of Directors is authorized to make and execute decisions in all fields of activity, excluding the matters left exclusively under the authority of the General Assembly by the TCC and relevant legislation.

The Board of Directors is responsible for the company's management and external representation. For the documents and contracts with the company as a party to be considered valid, they must be signed by persons authorized to represent and bind the company, and the signatures must be placed under the company stamp.

The Board of Directors may distribute the representation and management roles between members, or it may defer the responsibilities to either an executive committee that it will form with its members, to executive member/s, managers who may or may not be shareholders, or third parties, by issuing an internal directive.

The board members will be severally liable for the consequences should they fail, by intent or negligence, to fulfill the responsibilities assigned to them by the applicable legislation, the Articles of Association, or the General Assembly.

The General Assembly elects the Board of Directors for a maximum term of three years. A member whose term has expired will be eligible for re-election. The General Assembly may replace members of the Board of Directors at any time should they deem it necessary. We prioritize having a minimum of 25 percent female representation among members.

The Corporate Governance Committee at our company undertakes the duties traditionally carried out by the "Nomination Committee."

The board member election criteria include qualities stipulated by the relevant legislation and the corporate governance principles. The Board of Directors should consist of individuals of these qualities who will exhibit the highest competency and efficiency.

In addition to these qualifications, the persons appointed as members of the Board of Directors should also possess fundamental knowledge and understanding of the company's field of activity and the relevant laws and regulations.

The Board of Directors includes executive and non-executive members. A non-executive board member is a person who does not have any other administrative duties except as a member of the Board of Directors or an executive unit affiliated to them at the company and is not involved in the company's daily operations and ordinary activities.

The chairman and general manager cannot be the same person. The Board of Directors plays a leading role in maintaining effective communication between the company and its shareholders and in eliminating and resolving potential disputes.

Summary information concerning the members of the Board of Directors is presented below. The detailed CVs of our members can be found under the "Corporate Governance" section of the annual report and on our corporate website.



Name/Surname	Title	Executive/Independent/Non-Executive	Company	Term
Muharrem Yılmaz	Chairman—Executive Member of the Board of Directors	Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
Selim Tarık Tezel	Deputy Chairman	Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
Serpil Veral	Deputy Chairman	Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
Murat Arat	Member	Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
Hüseyin Mustafa Çevik	Member	Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
Ergun Ermutlu	Member	Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
İlhan İl	Member	Non-Executive/Independent	SÜTAŞ A.Ş.	22.04.2021
Mürvet Tezel	Member	Non-Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
Aynur Duygu Yılmaz	Member	Non-Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021
Haydar Yılmaz	Member	Executive/Non-Independent	SÜTAŞ A.Ş.	22.04.2021

Our General Assembly evaluates the prohibition of trading and competing with the company for the members of the Board of Directors at the ordinary General Assembly meetings held every year within the framework of Articles 395 and 396 of the TCC. The necessary authorizations and permissions are granted during the period.

16. Operating Principles of the Board of Directors

The Board of Directors regularly convenes once a month according to a schedule confirmed in advance. Also, where deemed necessary, the board can meet immediately, irrespective of the said period.

The Board of Directors' first meeting is held on the day the members are appointed at the General Assembly. The first meeting elects a chairman and at least one deputy chairman and decides on duty distribution.

The chairman of the Board of Directors determines the agenda of the board meetings, which is communicated to the members before the meeting. If necessary, any documents or information related to the board meeting agenda items are submitted for the board members' review before the meeting. The board can resolve to make changes to the agenda. Meeting invitations are issued by the chairman or, in his/her absence, by the deputy chairman via printed invitation, phone, or email. The chairman or, in their absence, the deputy chairman can summon a meeting upon written request by any board member.

The Board of Directors may convene if two-thirds of the members are present, and two-thirds affirmative votes are required for approval. Each member of the Board of Directors has one vote. Our members do not have weighted voting or veto rights. If there is a tie in the number of votes, the matter is postponed to the next meeting. If the tie persists at the following meeting, the proposal in question is considered denied.

A secretariat reporting to the chairman and at the service of all board members is established to keep accurate and orderly archives of the board meeting documents.

The Board of Directors convened 22 times in 2020. The meetings were held with the participation of all members. The meetings were convened at the corporate headquarters, and invitations were delivered by phone or email. The members approved the board resolutions made during these meetings by a unanimous vote of those present with no dissenting voice.



17. The Number, Structure, and Independence of Committees Established under the Board of Directors

The Audit and Risk Committee, the Sustainability Committee, the Corporate Governance Committee, and the Business Ethics Committee were established to ensure that the Board of Directors undertakes their duties and responsibilities effectively and that the committees and the board carry out their activities within the framework of the working principles determined by the Board of Directors.

Decisions taken as a result of our committees' work carried out independently are presented to the Board of Directors, and the Board of Directors makes the final decision.

The Board of Directors determines the duties, working principles, and committee members. The chairman of the Board of Directors and the general manager cannot participate in the committees. The Board of Directors provides the resources and support required for the committees to fulfill their duties. The committees may invite any person/s to their meetings to consult for their opinion. The committees keep thorough written records of their activities and submit the minutes to each member of the Board of Directors.

The committees convene as often as deemed necessary for the effectiveness of their work and at intervals, as described in the working principles. They submit the reports on their work findings and meeting results to the Board of Directors. The Board of Directors then evaluates the committees' effectiveness.

Audit and Risk Committee

This committee is responsible for auditing the accuracy, transparency, and compliance of the annual financial statements and other financial information with the legislation and international accounting standards. The independent audit firm selection, the audit contracts preparation, the independent audit process initiation, and the independent audit firm's work at every stage are carried out under the supervision of this committee. It reviews the internal audit function's activities, organizational structure, and nature and makes suggestions and evaluations to the Board of Directors. These assessments also cover issues such as the responsibilities of the company's internal audit function, the Audit Department's budget, and personnel resources.

In addition, the committee approves the annual audit plan prepared by the Audit Department and the changes when necessary. The Audit and Risk Committee examines and resolves the complaints received by the company regarding the company's accounting, internal control system, and independent audit and determines the methods and criteria to be applied in the evaluation of the company's employees' reports on accounting and independent audit matters within the confidentiality principle's framework.

In addition, it works to detect all kinds of strategic, operational, financial, legal, and other risks that may endanger the company's existence, development, and continuation to implement the necessary measures regarding the identified risks and manage the risk. In line with the opinions of the Board of Directors, it carries out (makes sure others carry out) the necessary studies to determine the company's risk map and reviews them when necessary. It determines the risk management policies and implementation procedures and oversees their compliance.

To ensure that the risk monitoring function is fulfilled effectively, it may request information, opinions, and reports from the relevant units when deemed necessary. It reviews the risk management systems at least once a year.

The Audit and Risk Committee consists of three people and meets no less than four times a year. The committee chairman is elected from among the independent members of the Board of Directors. At least one committee member must have at least 10 years of experience in auditing, accounting, and finance. Information on the Audit and Risk Committee's members at our company is as follows:

Name/Surname	Committee Title	Board Title
İlhan İl	Chairman	Independent Member
Aynur Duygu Yılmaz	Member	Member
Mürvet Tezel	Member	Member

Corporate Governance Committee

This committee determines whether the corporate governance principles are applied or not. If not, the reasons and conflicts of interest arise from not fully complying with these principles and making recommendations to the Board of Directors to improve corporate governance practices. It reviews the "Corporate Governance Compliance Report" to be disclosed to the public and checks whether the information contained therein is correct and consistent with the committee's knowledge.

It ensures the development, adoption, and implementation of the corporate governance principles within the company and makes suggestions to the Board of Directors to improve the degree of compliance by working on issues where there is a lack of implementation.

It follows the application of corporate governance principles worldwide and makes recommendations to the Board of Directors to take the necessary measures to improve compliance within the company.

The Corporate Governance Committee also fulfills the duties of the Nomination Committee and Remuneration Committee. The Corporate Governance Committee consists of three people and meets no less than four times yearly. Information on the Corporate Governance Committee members at our company is as follows:

Name/Surname	Committee Title	Board Title
Aynur Duygu Yılmaz	Chairman	Member
İlhan İl	Member	Independent Member
Serpil Veral	Member	Member

Business Ethics Committee

It announces the code of business ethics and application principles so that the employees are informed and provides regular training sessions. It ensures the establishment and nurturing of a culture of business ethics.

It updates the code of business ethics and the committee's implementation processes in line with the changing conditions, opinions, and suggestions received by the committee and submits it for the Board of Directors' approval.

Unless it meets with a unique agenda, the Business Ethics Committee convenes at least once a month and examines the applications made to the committee regarding the violation of business ethics rules and decides whether an investigation is needed and whether there is a subject to be brought to the disciplinary board's attention.

The Business Ethics Committee is responsible for conducting inquiries and research on and resolving any claims of violations of the code of business ethics, acting on its own accord or pursuing a notification. Any decisions made regarding notification are justified by highlighting the relevant article of the Code of Ethics. The committee's decisions are acted upon immediately.

Committee members act independently of the hierarchy within the organization while performing their duties. In case of need, the Business Ethics Committee may seek experts' opinions on the subject and invite these people to the meeting as consultants.

Information on the Business Ethics Committee members at our company is as follows:

Name/Surname	Committee Title	Board Title
Mürvet Tezel	Chairman	Member
Serpil Veral	Member	Member
Aynur Duygu Yılmaz	Member	Member



Sustainability Committee

The Sustainability Committee is responsible for determining the sustainability strategy; setting targets; monitoring and auditing the implementation, approval, and auditing of the prepared report and communication plan and all related processes; and bringing important sustainability-related issues to the Board of Directors' agenda.

The Sustainability Committee convenes at least once every two months.

Information on the members of the Sustainability Committee at our company is as follows:

Name/Surname	Committee Title	Board Title
Aynur Duygu Yılmaz	Chairman	Member
Murat Arat	Member	Member
Ergun Ermutlu	Member	Member

18. Risk Management and Internal Control Mechanisms

Our corporate risk management relies on identifying all existing and potential risks and developing and monitoring measures to minimize the identified risks.

The Audit and Risk Committee of the Süttaş Group works to implement measures against and manage potential threats to our company's ongoing existence as a going concern, development, and continuity.

The overall current and potential risks to our company are outlined below:

All company activities are carried out and supervised per the provisions of the quality management system, food safety, and relevant legislation. We adapted and integrated into our existing management system the ISO 9001: 2015 (Quality Management System Standards), FSSC 22000 (Food Safety System Standards), ISO 50001 (Energy Management System Standards), ISO 14001:2015 (Environmental Management System Standards), OHSAS 18001 (Occupational Health and Safety Management System Standards), and ISO/IEC 27001 (Information Security Management System) to gain higher efficiency in our operations. The annual internal and external audits keep these systems up to date and running.

- The relevant departments periodically monitor the debt-to-equity ratio, foreign exchange risk, and other such financial risk factors that could directly impact the company's financial position at weekly and monthly intervals.
- We implement the "Assurance—Risk Management System" to monitor customer-related risks. Our systems prevent the goods issue when customers exceed individual purchasing limits defined for them.
- The implemented SAP system is a crucial technological component that minimizes current risks and supports decision-making processes. This component tracks the consequences of actions in real-time to eliminate human-related errors and subsequently boosts the efficacy of our internal control systems.
- The company's assets are insured against natural disasters like fires and earthquakes. The insurance policies, aligned with the assets' true values, are purchased from authorized insurance brokers.

The Audit Department establishes the systems necessary for the accounting, internal control, risk management, and financial planning units; ensures the functioning, compliance, and adequacy of these systems; and determines the relevant internal powers and responsibilities.

In assuming these responsibilities, the Audit Department works with the findings of approving institutions in independent auditing and certified public accounting services.

The Audit Department regularly reviews the company's risk management and internal control system within the risk-based annual audit plan framework to achieve the following objectives and reports directly to the Board of Directors. The findings and suggestions are reported to the Board of Directors in a written report format.

- Accuracy and reliability of financial and operational information
- Effectiveness and efficiency of operations
- Protection of company assets
- Ensuring regulatory and contractual compliance

The audit function determines how well the internal control systems work and makes suggestions for improving existing systems and establishing new systems in areas where the need is determined.

19. Corporate Strategic Goals

Our company vision is "To become the most admired and trusted dairy leader," and our mission is "To work passionately to share the goodness and abundance of milk; to offer natural and tasty dairy products that boost people's health, quality of life, and happiness; and to manage and develop the milk value chain 'Farm to Table' and the resources entrusted to us in the most efficient way possible."

The Board of Directors establishes the company's long-term strategy and goals based on this vision and mission. The Board of Directors, through strategic decisions, maintains the optimal balance of risk, growth, and income for the company and represents and binds the company with a rational and cautious risk management approach that prioritizes the company's long-term interests.

At the Board of Directors and senior management meetings, the company's goals and the activities carried out to achieve these goals, including past performance and management performance, are audited. The company's current position, the industry in which it operates, and its position in the industry are reviewed, and new goals and strategies are developed if deemed necessary.

20. Financial Rights

The Corporate Governance Committee and the Board of Directors evaluate the payments made to the members of the Board of Directors and senior executives within the Remuneration Policy's framework each year. In the footnotes of the financial statements prepared by the company, the payments made to the members of the Board of Directors and the senior executives are disclosed to the public collectively.

The company does not allow our board members or senior management to engage in any transactions with the company that could lead to a conflict of interest, including lending, loaning, or collaterals.







Natural Taste From Farm to Table

