



SÜTAŞ SÜT ÜRÜNLERİ A.Ş. ANNUAL REPORT 2019



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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 -Farm to Table- and the resources entrusted to us in the most efficient way, with the passion of spreading the goodness and abundance 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

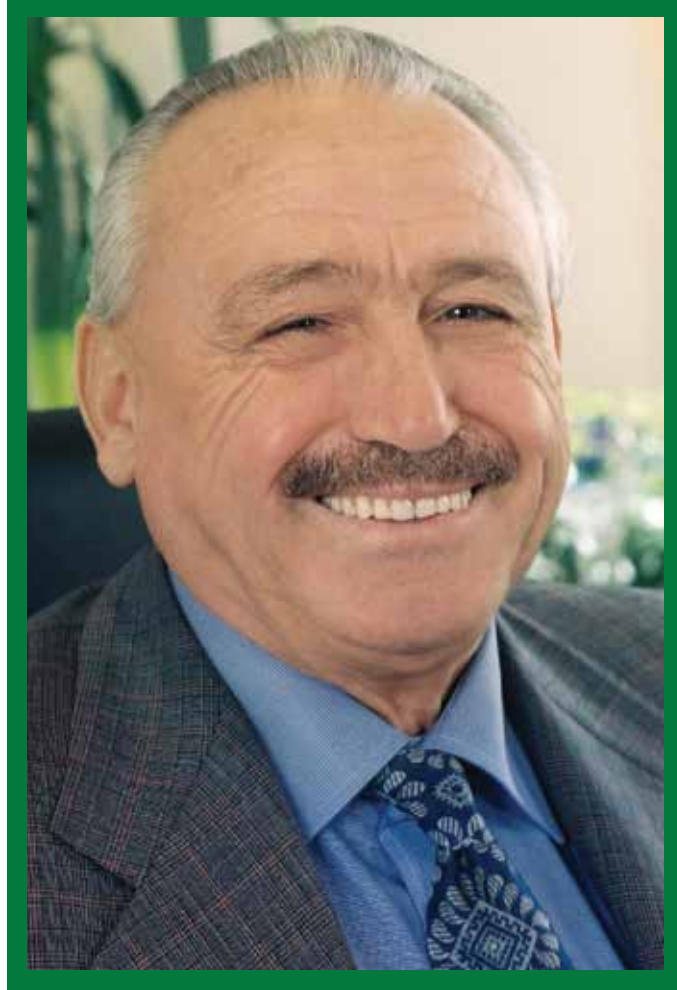
We always improve ourselves and seek excellence to become the masters of our business.

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 passion for milk..."



An Assessment from Chairman of the Board of S taş



Esteemed Shareholders,

In 2019 that we left behind; international corporations had to lower their growth prospects that they had previously announced as the shrinkage in the global economy has further advanced. Numerous reasons including the shrinkage in the demand for consumer products in global markets, the increase in unemployment rate in the developing economies, commercial activities complicated by regional instabilities and the increase in the costs of energy and foreign currency linked investments have considerably affected the macro- and micro- economic balances and have rendered doing business for enterprises more difficult than ever.

During the year, despite the challenges in the global and domestic conjuncture, we continued to invest and to spread the goodness and abundance of milk. We continued our activities by managing and improving the dairy value chain from farm to table and the resources entrusted to us in the most efficient manner. We have delivered our natural and tasty products in all directions.

Accounting the data regarding our operational performance in 2019, we managed to attain the business targets that we had set for the year. We remain the leader of the dairy industry with 10.9% turnover share. Our total assets reached TRY 2.83 billion and our set sales reached TRY 3.78 billion.

We continue to be a pioneer company in the agriculture-based industry, by increasing our contributions for the total milk production. In 2019, the total milk production volume in Turkey reached 22.96 million tons, representing an increase of 3.8% on year-over-year basis. We procured 782 thousand tons of milk, which accounts for 8% 9.7 million tons of raw milk, being the total amount of raw milk offered to the industry, from 26,923 dairy farmers, and have paid thereto TRY 1 billion and 511 million in consideration of the same.

We delivered 6.5 million packaged S taş products, produced by processing 2.5 millions of milk per day at our 3 integrated facilities, located in Aksaray, Karacabey and Tire, to our consumers at our 159 thousand and 985 points of sales. through our strong distribution network

We have been the leader of the branded products segment of Turkish dairy industry for the last 15 years. Having reached 79.2% of the households in Turkey; S taş, the most loved brand in the industry, has, once again, managed to be the top brand in the dairy market for reaching the highest number of households.

Addressing sustainability with its economic, environmental, social and corporate governance aspects; we placed the concept into the very core of our Farm-to-Table business model and our corporate culture. We published our third Sustainability Report and shared our activities with the public in line with the goals we have set in the area.

In addition to our Karacabey facilities in South Marmara Region, our Aksaray facilities in the Central Anatolian Region and our Tire facilities in the Aegean Region; our Bing  Integrated Facilities, a part of our Eastern and Southeastern Anatolian Dairy Project, representing a TRY 733 million investment, is currently under way to be put into operation. When fully commissioned, S taş Bing  Integrated Facilities, which, we believe, will play a significant role in the improvement of agriculture and animal husbandry as well as the regional development in Eastern and Southeastern Anatolia, will have the capacity to process 1.063 tons of milk per day. We will employ 1.012 people at the Bing  Integrated Facilities, which will serve as a source of income for some 8 thousand dairy farmers.

As our passion for, focus in and dedication to dairy business is now 45 years old, we will continue working tirelessly with our sound corporate structure, strong staff and financial capabilities to create value for our country and all our stakeholders.

I would like to take this opportunity to thank all our employees, and to express my deepest gratitude for our customers, business partners and all esteemed shareholders who share our vision and believe in our mission.

Kind Regards,

Muharrem Yılmaz

Chairman of the Board of Directors



1. IMPORTANT DEVELOPMENTS IN TURKEY AND OUR ACTIVITIES



December 2019

Sütaş Eastern-Southeastern Anatolia Dairy Project In Progress

The construction process for the Eastern-Southeastern Anatolia Dairy Project Bingöl Integrated Facilities continued at full steam. The project, for which the foundation was laid in 2018, will be realized with TRY 733 million 709 thousand investment and will create employment for 1,012 people when completed.

Bingöl Integrated Facilities

- TRY 733,709,212 investment
- Employment for 1.012 people
- 110 million TRY/month steady income for the region
- 10.000 dairy cattle farm capacity
- 7.100 heifers breeding farm capacity
- Beef cattle farm with a capacity of 5.000 cows
- Dairy Farming Training Center and Training Farm
- Diagnostic laboratory and health center
- Genomic selection laboratory
- Embryo studies laboratory
- Genomic bull breeding center
- 600 tons / day capacity feed factory
- Plant production machinery and equipment
- 1.063 tons/day milk production
- Anaerobic purification, biogas and electricity generation facility
- Organomineral fertilizer facility



Sütaş Sustainability Report Published

Sütaş Group 2018 Sustainability Report was published. In the report; the goals set in the first (2015) sustainability report for 2020 in the social, economic, environmental and corporate aspects were updated one step further.

For happy and healthy individuals, a prosperous society and a clean environment;

- We will endeavor to deliver the goodness of milk to a larger number of people.
- We will work more efficiently with a view to enhancing and improving the abundance of milk.
- We will maintain and strengthen our corporate structure characterized by transparency, fairness, integrity and accountability.
- We will restore and reinstate the natural resources we use back to nature.

Sütaş was granted two A.L.F.A Awards by Consumers



Sütaş came in the first in the "food" and "dairy products" categories at A.L.F.A. Awards, a special event to reward of brands that best manage customer experience.

Sütaş had won the first place awards in the same categories in the previous year as well.

Sütaş was granted "The Best of Social Media" Award

Sütaş was awarded the Silver Prize in the "Dairy Products" category at the Social Media Awards Turkey 2019.





Süttaş's Website

In 2019; Süttaş website was visited 1,064,045 times by 801,725 visitors, 2,094,546 pages were viewed.



Süttaş Farm Comic Book Has Been Published

Süttaş Farm Comic Book, consisting of the most liked Süttaş Farm comics published in various media throughout 2019, was published.



Süttaş Social Media Communication

In 2019; the number of people, who liked the Corporate Facebook page of Süttaş, reached 277,926, and the number of interactions with the followers attained 332,382.

The number of followers of Süttaş's Corporate Instagram Account has increased by 19.6% to 23,940, and some 95,425 interactions have taken place in relation to the posts shared.



Süttaşkı Band

"Süttaşkı Band", a genuine marching band made up of cute cow mascots, has come together with consumers for various events throughout the year.



Süttaş Attended Agro-Expo

Süttaş had the opportunity to meet with dairy farmers at the 14th Agro-Expo International Agriculture and Livestock Fair.



2. HUMAN RESOURCES ACTIVITIES



Süttaşkı Meetings

The traditional "Süttaşkı Meetings", which serve as a common platform to spread the goodness and the blessing of milk and the Love-for-Milk, have been held with a high level of attention and interest in all Süttaş facilities and regions.

The meetings, the first of which was held in Ankara on May 9, as a part of a series of events for June 1, the World Milk Day, were aggrandized by the attendance of the executives, the Seniority Award Ceremonies and the programs prepared by the staff.

During Süttaşkı Meetings, a total of 25 events held at our locations; the activities of the company throughout the year have been assessed and the members of Süttaş Family have experienced the enthusiasm of reunion.



During the Seniority Award Ceremonies held as a part of "Süttaşkı Meetings", organized for the World Milk Day; 782 Süttaş employees recieved their awards.

5 Years	418
10 Years	208
15 Years	80
20 Years	55
25 Years	13
30 Years	7
35 Years	1





Training and Development

Sütaş aims to support corporate development and accelerate learning process by adopting the training and talent development approach. All development activities are consolidated under “Academy Sütaş”. Within the scope of Academy Sütaş, aiming to support employees in their efforts to improve their expertise, enhance their performance and use their potential; the Company contributed to the development of the employees through the “Sütaşlı Olmak” Orientation Program, Professional Skill and Competence Development Program and Leadership Development Program.

Throughout the year 2019, 90,760 hours of training have been delivered in total and 19.6 hours of training per person have been delivered at Academy Sütaş. Furthermore, 8,321 hours of training have been delivered to monodistributors and distributors.

88% of the in-house trainings were delivered by internal instructors. As in previous trainings, the focus was on corporate development and professional development programs aiming to develop expertise and mastership.



“Sütaşlı Olmak”: The New Recruit Orientation Program

The “Sütaşlı Olmak” program was organized for the orientation of new recruits. Training senior management introduction meetings, chats for experience sharing were organized in order to accelerate their adaptation process to the company and to their new role. The average score of the participants who participated to the satisfaction survey for the Orientation Program implemented in 2019 was 4.95.



Sütaş Production School

Dairy Business Certification Program

The Dairy Business Certification Program, implemented as a part of Production School, aims to improve the professional skill calibration of our production staff at specialist and higher level of roles and improving the competence and expertise of our employees through the course of their career. The satisfaction rate of the program was 4.70.

Program Modules

Basic Dairy Module

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

Dairy Process Module

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

Sütaş Sales School

Field Sales Development Program

The Field Sales Development Program designed as a part of the Sales School aims to standardize the implementation of the Sütaş field operation model, increase the level of knowledge about the products and the business processes and develop sales skills.

In 2019, 1,809 employees attended the trainings held in Regional Sales Offices by 75 internal trainers. The satisfaction score of the trainings was 4.82.





Sütaş Sales Marathon

Sütaş Sales Marathon, designed as a part of Sütaş Sales School for sales supervisors and higher roles, has 2 phases to standardize the implementation of Sütaş Field Operation Model, to develop professional sales skills, to develop coaching skills of the participants to enhance sales performance. The trainings delivered through the valued contributions of 14 internal instructors were rated 4.81 in terms of satisfaction.



Sütaş Management School

The Academy Sütaşkı Management School program aims to train good leaders, who believe in the goodness and abundance of milk, to improve the expertise of our managers for team management, and thereby, to create a happier working environment and a sustainable human resource.

Through the "Manager Improvement Program", designed as a part of the Management School; we focused on both managerial and job skills of our management staff members. Through the course of the program; we addressed the topics of management with values, management with targets, succeeding with the team, ensuring the happiness and loyalty of employees, motivation and feedback. Our managers, who completed the 2-day program, attended two one-on-one coaching interviews, which lasted 1.5 hours, and prepared and delivered their improvement presentations. 18 people participated to the program, and the satisfaction rate was 4.88.



Team Leader Development Program: "LIDERLİG"

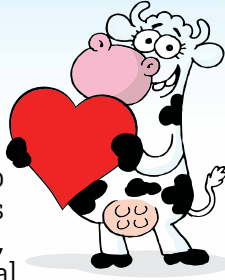
In 2019, 131 team leaders participated to Liderlig, designed within the Production School and as a part of Academy Sütaşkı, for the development of the managerial skills of team leaders. The topics addressed in the program include Basic Management Skills, Giving Effective Feedback and Team-Reinforcing Communication. The program was rated 4.66 in terms of satisfaction.

Sütaş Specialist Development Program (Sütaş UP)

19 people participated to Sütaş Specialist Development Program (Sütaş UP), designed to support the development of our specialists in respect of basic skills that render their way of doing business more effective. The content of the program for specialists, whose term of service is not shorter than 1 year, includes 2 action planning interviews conducted with the program consultant in addition to Positive Communication and Cooperation, Presentation Skills, Planning and Prioritization, Innovative Thinking and Innovation trainings. The program was rated 4.66 in terms of satisfaction.

Internal Mentorship Program

The internal mentorship program was prepared for the acceleration of the process of adaptation of the specialist candidates to professional life and to corporate culture. In 2019, 10 specialist candidates participated in the program consisting of identification of strengths and areas for improvement, planning, execution and monitoring of improvement actions.



Training on Our Values

As of April 2019, we started to deliver trainings on our values "respect, responsibility, excellence, passion" at our campuses, regional offices and head office, to ensure their adoption and implementation by our employees. 4090 people participated to the trainings which have been delivered in 205 separate sessions country-wide and the satisfaction rate was 4.89.



Finance Training for Non-Financial Staff

Finance Training for Non-Financial Staff is designed for our directors, coordinators and group managers whose area of expertise is not finance. The participants were provided with basic skills to read, analyze and interpret financial statements as well as basic knowledge about the main sources of finance and working capital. 36 people attended the training prepared in cooperation with PwC Business School the training was rated 4.0 in terms of satisfaction.

Internship Program

The internship program of 8 weeks, designed for 3rd- and 4th-grade undergraduate students, consists of "Sütaşlı Olmak" ("Being A Sütaş Member") Orientation Program, workshops, the personal development training entitled "Principles of Professional Life", Dairy Center visits, chat sessions with senior executives, career coaching sessions, projects and presentations. The summer internship program, held at our Karacabey and Aksaray facilities, has been participated by 20 undergraduate students and 17 associate degree program students in 2019.

Recruitment

In 2019, some 173,707 job applications were received and some 837 applicants were recruited by Sütaş.



Self-Development Seminars

We bring our employees together with speakers in monthly seminars, to improve their quality of life, to inform them on subject matters of interest, thus to contribute to their self development. In 2019, 566 employees attended 10 self-development seminars on 9 different topics at the Head Office. The speakers and the topics featured at the seminars are as follows:

Speaker - Topic

Ahmet Tamtekin-Buttons of Excitement
Funda Başol-Happines at Work
Cenk Devrim Ulusoy-The Peak is Hidden at the Deepest Depth
Hülya Erten-Achieving Success in the Age of Vuca
Burak Eşkinat-Being Successful Is A Choice
Müge Sözen Enünlü-Self-Awareness: You've Noticed, Park Not
Tolga Kırkoyun-Mind Mapping Seminar
Özlem Sökmen-Seminar on Personal Image in Professional and Private Life
Çağrı Çakır ve Ercan Geneci-Raising Disaster Awareness- Seminar with Kızılay



Group Sütaşkı

Group Sütaşkı aims to entertain employees during the course of their busy work schedule through different events including talent contests, karaoke parties, hobby clubs and contests. Through "Family Club", Group Sütaşkı organizes events including April 23 Children's Day Festival, The Children's Theater, outdoor cinemas and culture trips for the families of our employees.

Furthermore, 50 health-related events including health seminars and health screenings were held, in order to emphasize the importance of a healthy lifestyle.

In 2019, 333 Group Sütaşkı events brought together 36,606 employees.



3. MANAGEMENT SYSTEMS ACTIVITIES

Media Assets
Archiving and
Management Project

The project kicked off on April 18, 2019 and went live on June 15, 2019 following the installation of necessary hardware

and applications. Digital libraries for media assets including photographs, videos, audio materials and PDF materials and subsidiary libraries for Milk and Dairy Products, Agricultural Operations and Environment and Energy were created. The archiving activities are currently in progress.

Information Security and Network

The information and communication technologies infrastructure planning works for Sütaş Bingöl Integrated Facilities were completed. In order to ensure the uninterrupted functioning of the information and communication infrastructure at the facility the back-ups of networks, systems and system control rooms were re-designed and planned. Installation works, starting from the cabling infrastructure has begun.

We continue taking the
technical and administrative
measures for information
security

In 2019, the following technical measures were taken for Information Security.

PDPL Project; Data entries by Data Controllers of the Group Companies to the Data Controllers' Registry Information System were completed by December 2019 and the compliance with the law was ensured. The technical and administrative measures required to be taken to comply with the PDPL were identified, and the implementation started.



Information Security Awareness Trainings; We have extended the scope of the Information Security Awareness Trainings delivered in the past years to the new recruits and to the employees of the departments within the scope of ISO/IEC 27001 BGYS certification, to the employees working at Karacabey, Aksaray and Tire Plants. We completed the trainings by the end of 2019.

We will continue to work to raise Sütaş Group Turkey employee awareness on Information Security through classroom trainings and sessions on various other media and channels

The TS ISO/IEC 27001 Information Security Management System certificate was renewed following the 2019 audit.

We increased our level of control on our mobile devices at the field via Soti MobiControl and started to provide remote support service.

We started the process of transition to Soti Mobile Application to more actively manage and support our mobile devices at the field and for cost saving. We completed the transition to Soti MobiControl of the devices used by the Milk Collection, Receivable Collection teams and sales representatives. In 2020, the mobile devices of the Mono Distributors, who currently use hand terminals that are planned to be replaced with tablets, will also be incorporated to the system, whereby we will be able to provide support for the issues encountered by the field teams more actively and to view and more rapidly resolve such issues through remote connection.

4. CONSUMER MARKETING ACTIVITIES



World Milk Day Celebrations

The commercial film featuring World Milk Day, produced in parallel with Süt corporate brand communication, was broadcast on 1 June on national and thematic TV channels and reached 8 million people. It was placed as a sponsored advertisement on Facebook and Instagram. Our messages on the theme were delivered to consumers through radio advertisements broadcast on May 31 and June 1.



Cute Süttaş cartoons prepared in GIF format enabled our consumers to create entertaining celebration messages on social media for World Milk Day. Süttaş GIF images were viewed for 4.8 million times.

Events featuring Süttaşkı Band were held at 14 spots in total in Istanbul, Ankara, Izmir and Bursa on June 1 and 2, during which the World Milk Day was celebrated with the consumers and the children were given stickers and brochures of cartoons featuring the World Milk Day as presents.



Various gifts have been sent to the staff members as well as the external stakeholders, primarily including the press, in order to highlight the importance of milk and dairy products. Gifts were sent to employees as well as to external stakeholders, primarily the press, in order to highlight the importance of milk and dairy products. Süttaş employees wearing white lab coats, shared their photographs on the social media, along with the World Milk Day celebration messages,





“Whether You Take Care of Yourself or Enjoy Yourself, Make Sure You Treat Yourself with the Taste of Süttaş Butter in Your Meals!”

The new commercial film for Süttaş Butter, the first butter commercial campaign in Turkey, features the pleasant and jolly quarrel between two groups of people, one, who take care of themselves through healthy diets, and the other who enjoy themselves by focusing on the zest and savor of what they eat. At the end of the day, both groups meet in the middle thanks to Süttaş Butter, and enjoy their meals. The campaign disseminated country-wide in Turkey through the radio, open-air, PR and digital communication channels as well as the applications aimed at shoppers in addition to the strong commercial film broadcasts on television.

Two new products by Süttaş for Out-of Home Customers: Butter of Masters and Cream of Masters

In 2019, through the launch of Butter of Masters and Cream of Masters, the activities for the development of special products addressing out-of home customers and for the strengthening of the out-of home product range continued.



Süttaş Butter of Masters, special formula, adds a unique taste to kebabs and meals while Süttaş Cream of Masters, made of 100% Milk Cream shows a high performance in soups, chicken meals and pasta and has an excellent taste-price balance.

Informative Communication Campaign by Süttaş Yogurt

An informative communication campaign was created and launched to inform the public about yogurt, which is an important component of the Turkish cuisine, and clear the controversy and information pollution on the subject.



The commercial films broadcast on television as a part of the communication campaign was supported with radio commercials, social media posts, website broadcasts as well as open-air activities, press coverage, customer facility visits, visibility materials deployed at points of sales, on-package messages and intra-company announcements. The messages designed for the communication campaign were delivered to the consumers through strong advertisement broadcasts featured not only on the mainstream channels but also during the TV series and films aired on thematic channels as well as the cooking and news channels. The broadcasts were supported with spot announcements aired on radio channels with high levels of reach.



The commercial films, broadcast on digital media, and were viewed for 2.3 million times, they were broadcast on open-air displays as Metro, Metrobus, Cityline Ferry displays as well as the Bus and Hospital displays, High-Speed Train Displays (HST) and İDO TV displays for 2 months. In addition; the campaign messages were delivered to 8 million consumers via digital platforms in the form of 4 videography materials.¹



The New Passion of Yogurt Fans: “Set Yogurt Tasting like Cream”

“Set Yoghurt tasting like Cream” with its taste and thickness that resembles cream, which adds a unique zest to the joy of yogurt, was launched and made available on shelves as of February for set yogurt fans, who seek consistence in yogurt and who like treating themselves and their families with the best. “Set Yoghurt tasting like Cream” launch was supported with visibility materials, taste-testing events, banners on Migros Virtual Store and Migros Mobile App, emails, SMS and MMS messages, advertisements on Facebook and Instagram accounts of Migros and discount campaigns.



A new taste by Süttaş, the Leader of the Yogurt Segment: “Süttaş Kaymaklım”

“Süttaş Kaymaklım”, made of 100% natural and fresh milk from Süttaş Farm, the favorite of the yogurt fans, for its unique taste, intense consistence and thick cream layer was launched and made available on shelves as of February in packages of 500g and 1500g.

“Süttaş Kaymaklım” launch was supported through visibility materials, taste-testing events, banners on Migros Virtual Store and Migros Mobile App, emails, SMS and MMS messages, advertisements on Facebook and Instagram accounts of Migros and discount campaigns.



Communication Campaign for Süttaş Chocolate and Fruit Milk

Throughout 2019, children have been invited to the “Happy and Entertaining” world full of sports, adventure and music through the strong communication campaigns for Süttaş Chocolate and Fruit Milk done for 9 months.

Through the “Happy and Entertaining” mobile application, where the augmented reality is used, and the micro website “neseliaglenceli.com”, the children were offered entertaining contents, including puzzles and videos, as well as a fun karaoke game, to which children could participate by way of having the single Chocolate or Fruit Milk Package read, and within which they could sing different versions of the relevant jingle tune.

During summer, children were invited to “Have Fun While Cooling Off” and “Cool Off While Having Fun”, through the commercial film prepared to position Süttaş Chocolate and Fruit Milk as a beverage that children love to drink to cool off and to have fun.

As a consequence of these communication activities, Süttaş Chocolate and Fruit Milk became the leader of branded products.



Shake Up Süttaş Ayran and Win the Gifts

As a part of the “Shake Up Süttaş Ayran and Win the Gifts” campaign, 3 people among those who sent the code printed under the bottle cap of 250 ml, 1 liter, 1.5 liter, 2 liter and 2.5 liter packages of Süttaş Ayran bearing the campaign label to www.calkalasutas-ayrani.com

and were qualified to participate in the draw, won a car, and all participants of the draw won 100 MB of mobile Internet.

1. Nielsen Retail, HD Excluded, First phase: January 2018 vs January 2019, Second phase: September & October 2018 vs. September & October 2019)





Shake Up Sütaş Ayran and Seize the Holiday

As a part of the 6-week summer promotion campaign launched for Sütaş Ayran, 10 families per week, won a prize of TRY 5000 to be used at ETS Tours, through the draw they participated using the code printed under the bottle cap of 250 ml, 1 liter, 1.5 liter, 2 liter and 2.5 liter packages of Sütaş Ayran packages bearing the campaign label.



Starter Cultures from the Caucasus, Naturality from Sütaş: Kaf Kefir

Kaf Kefir, which combines the kefir starter cultures derived from the rootstock kefir grains of the Caucasus mountains and the milk from Sütaş Farm, was launched and made available on shelves in plain and fruit-flavored varieties.

The commercial film made for Kaf Kefir as a part of the communication campaign has been showed to some 20 million viewers.

Kaf Kefir increases the number of useful bacteria in the gut flora and helps to restore balance in the gut, thereby improve digestion and to regenerate the body.

The vitamin B12 in Kaf Kefir helps to decrease the level of fatigue and exhaustion; to increase vigor and energy. The calcium it contains helps to protect and strengthen muscles, bones and teeth and regulates digestive enzymes..

Kaf Kefir, the naturalness of which is assured by the quality of Sütaş, is intended to be the most-liked and preferred kefir brand in Turkey in a short span of time for its exceptional taste as well as countless benefits for health.



Legendary Taste and Exceptional Lightness: Sütaş Labne Marketing Communication Campaign

Three different commercial films were launched, featuring various fields of use and fashions of consumption of Sütaş Labne, differed from the

other comparable products on the market for its legendary cheese taste and exceptional yogurt-like lightness. In addition to strong television communications, the communication campaign was supported with communication activities through alternative media and channels as well as shopper-oriented applications.



Pizza and Pide Cheese by Sütaş for Out-Of Home Customers

In line with Sütaş's strategy to develop special products for out-of home customers and strengthen its out-of home product range; Sütaş developed Pizza-Pide cheese and Mozzarella cheese to address the usage habits of customers and to ensure fitting with cooking equipment. Mozzarella and Pizza-Pide cheese with the ideal ropiness and superior ingredient holding performance, which add an exceptional taste to pides and pizzas, are offered in grated strip form at the temperature of -18°C and block form at the temperature of +4°C.



The Specialties Product Range enriched with Sütaş İzmir Tulum Cheese.

Sütaş İzmir Tulum Cheese, made of cow milk and matured for at least 120 days is a tasteful alternative for those, who seek an intense taste for their breakfast tables, with bagels and in sandwiches as well as on their cheese dishes.

4.1 Material Market-Related Developments



Having reached 79.2% of the households in Turkey; Süttaş has, once again, managed to be the top brand in the dairy market for reaching the highest number of households.¹

In 2019, the overall turnover of retailed packaged dairy products market has increased by 15.0% to TRY 15 billion. During the same period, Süttaş remained as the market leader in the branded products market with some 10.9%* turnover share.²

The turnover and quantity shares of Süttaş in the segments where Süttaş is the market leader, are provided as follows:

Category – 2019*	Share in Overall Quantity (%)	Share in Turnover (%)
UHT Semi-Skimmed Milk	8,3	10,6
UHT Fruit - Chocolate Milk	13,9	15,1
Cream On top Yogurt in Bowl	16,1	17,8
Set Yogurt	9,6	12,7
Strained Yogurt	11,4	15,2
Flavored Yogurt	97,9	97,4
Fruit Yogurt in Tube for Children	100,0	100,0
Yogurt for babies	99,9	99,9
Light Yogurt	89,8	85,3
Pan Yogurt	5,3	8,2
Ayran	20,1	23,9
Fresh White Cheese - Cultured Cheese	13,6	14,7
Light Fresh White Cheese - Cultured Light	14,0	16,1
Fresh Kashkaval Cheese	12,5	13,8
Ultra Filtrated White Cheese - Cottage	22,9	23,5
Mihaliç Cheese	38,2	56,1
Processed Sliced Kashkaval Cheese	14,4	10,0
Sliced Kashkaval Cheese	2,1	3,4

Süttaş Milk

In 2019, Süttaş Milk held the third position in the market with some 7.8% turnover share. The turnover share of Süttaş UHT Milk was 6.7% while that of Süttaş Pasteurized Milk was 12.1% and that of Süttaş Chocolate and Fruit Milk was 15.1%.²

Süttaş Butter

In 2019, the turnover share of Süttaş Butter was 11.1%.²

1. Ipsos Household Consumption Panel, 2019

2. Nielsen Retail Measurement Panel, Discount Stores Included, 2019, Among branded products

Süttaş Yogurt

With 13.0% turnover share, Süttaş Yogurt remained as the market leader in 2019. Süttaş Set Yogurt has closed the year with 12.7% turnover share while Süttaş Light Yogurt has closed the year with 85.3%. The turnover share of Süttaş in the segment of Cream on Top Yogurt in Bowl has been 17.8%. Süttaş Cream on Top Yogurt in Pan remained as market leader with 8.2% turnover share, which represents a turnover growth by 11%, and Süttaş Strained Yogurt remained as market leader with 15.2% turnover share, which represents a turnover growth by 22%. The turnover share of Süttaş in the segment of Fruit Yogurt for Adults has been 13%.²

Süttaş Ayran

The turnover of Süttaş Ayran has grown by 11%. With 23.9% turnover share, Süttaş Ayran remained as market leader in 2019.²

Süttaş Cheese

With 11.2% turnover share in the overall cheese market, Süttaş Cheese remained as market leader in 2019. Süttaş Fresh White Cheese holds the market leader position in its segment with 14.8% turnover share, while Süttaş UF White Cheese holds the market leader position in its segment with 23.0% turnover share, and Süttaş Kashkaval Cheese holds the market leader position in its segment with 13.8% turnover share. In the spreadable cheese segment; Süttaş Cream Cheese has 8.4% turnover share, Süttaş Cheese Wedges has 6.9% turnover share and Süttaş Labne has 8.2% turnover share.²

Products of Delight, Taste and Functionality

Süttaş Büyümmix: The Fresh Cheese for Children segment, has grown by 6%. Süttaş Büyümmix holds the second position in the segment with 13.8% turnover share.²

Süttaş Tatlımmmm: In 2019, the turnover share of Süttaş Tatlımmmm in the fresh pudding segment was 9.7%. Süttaş Tatlımmmm holds the second position in the segment.²

Süttaş Minimix: In 2019, the turnover share of Süttaş Minimix was 26.5%.²

Süttaş Hüptrik: The turnover of Süttaş Hüptrik, the first and only fruit yogurt in tube for children in Turkey, has grown by 3%.²

Süttaş Babymix: The turnover of Süttaş Babymix, the first and the only yogurt product produced in Turkey exclusively for babies, has grown by 8%.²

Süttaş Yovita: Süttaş Yovita has experienced some shrinkage due to the changes in consumer trends.²

4.2 Exports



In 2019, Sütaş exported its products to 32 countries in total and the export volume was USD 16.5 million.

In 2019; Libya, Oman and USA were added to the list of markets, to which Sütaş regularly exports its consumer products. Contrary to the shrinkage in the overall industry; the horizontal course was maintained in the consumer products segment compared to 2018, and with the addition of new markets to the export country portfolio, the number of countries, to which Sütaş regularly exports its products, increased. Sütaş was in Istanbul Exporters' Association's "IEA Successful Exporters" List for its steady export operations during 2017-2019.

In 2019, Sütaş attended 'GulFood', the most prominent food exhibition in the Middle East - North Africa region, where Sütaş' "Farm to Table Business Model" was presented in detail to the visitors and exhibitors from numerous countries in the region.

International branding activities started in 2017, also with the contributions of the Turquality

branding program and continued into 2019. As a consequence, both the level of penetration has been increased and the consumers have been reached by means of in-store activities on the organized retail channel in numerous markets, primarily including the Gulf markets. The first TV commercial film trial for exporting purposes was performed in Iraq in 2019. Recognizing that the issues of competitiveness, that the industry players in the country encounter in export due to high raw milk prices, can only be overcome through investments in branding and the accurate expression of Sütaş's value chain to the consumers in other countries; the same approach will apply in 2020.

The consumer products that are outstanding for their export performance in terms of tonnage are Labne , UHT Milk, Milk Desserts, Butter, White Cheese, Kashkaval Cheese and Cream. Moreover; to address the needs of the markets, R&D activities continued during the year and new products were launched.

The industrial product sales volume has grown considerably on year-over-year basis as the total weight of the industrial products sold has increased by 278% and the turnover in USD has grown by 575%.

The key targets for 2020 will be to enter such Gulf markets, where regular commercial activities have not started yet, and to perform the launching of our products to Europe with a coverage of at least 7 countries.



5. SÜTAŞ A.Ş. FINANCIAL INFORMATION 2019

5.1 Company Overview

5.1.1 Relevant Accounting Year

Relevant Accounting Year is the period between 01.01.2019 and 31.12.2019.

5.1.2. Trade Name

Sütaş Süt Ürünleri A.Ş.

5.1.3. Trade Registry Number

The Trade Registry Number of the Company is 543.

5.1.4. Head Office and Contact Details

Uluabat Mahallesi Karacabey BURSA Phone: 0224 688 51 01

5.1.5. Web Address

www.sutas.com.tr

5.1.6. Regional Offices and Regional Office Contact Details

The regional offices and the regional office contact details of the company are provided within the following table.

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. Kıracaoğlu 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 Shareholding Structure of the Company

The current shareholding structure of the Company is provided as follows.

Shareholders of the Company	Capital Amount (TRY)	Capital Share (%)
Yılmaz Holding A.Ş.	20.527.333,33	50,07
Muharrem Yılmaz	20.315.645,63	49,55
Diğer	157.021,04	0,38
Toplam	41.000.000,00	100

There is not any privileged share and voting right in our company.

5.1.8 Details Regarding the Direct and Indirect Subsidiaries and the Interests Held Therein

5.1.8.1 Subsidiaries:

The Company does not have any subsidiaries.

5.1.8.2 Affiliated Companies:

Trade Name of the Affiliate	Scope of Operations	Principal Capital (Euro)	Paid-in Capital (Euro)	Capital Subscription Amount	Capital Ratio
Euro Dairy DOOEL / The Republic of 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 Doel / The Republic of North Macedonia	Wheat, Pulse and Seed Production	5.000	5.000	5.000	100
Euro Dairy G.m.b.h. / Germany	Sales and Distribution of Milk and Dairy Products	500.000	500.000	500.000	100

5.1.8.3 Joint Ventures:

Trade Name of the Affiliate	Scope of Operations	Principal Capital	Paid-In Capital	Capital Subscription Amount	Share holding Ratio (%)
Nishat Sutas Dairy Limited / Pakistan	Production, Sales and Distribution of Milk and Dairy Products	150.000.000 PKR (Rupi)	470.000 USD	75.000.000 PKR (Rupi)	50



5.1.9 Board of Directors

Full Name	Position	Inauguration Date
Muharrem Yılmaz	Chairman of the Board of Directors and Managing Director	22.04.2019
Serpil Veral	Deputy Chairwoman of the Board	22.04.2019
Selim Tarık Tezel	Deputy Chairman of the Board	22.04.2019
Murat Arat	Board Member	22.04.2019
Hüseyin Mustafa Çevik	Board Member	22.04.2019
Ergun Ermutlu	Board Member	22.04.2019
Mürvet Tezel	Board Member	22.04.2019
Hasan Tulgar	Board Member	22.04.2019
Aynur Duygu Yılmaz	Board Member	22.04.2019
Haydar Yılmaz	Board Member	22.04.2019
İzzet Karaca	Independent Board Member	22.04.2019
İlhan İl	Independent Board Member	22.04.2019

Resolutions regarding the representation and engagement of the company were adopted on 28.04.2016, and required announcements were made. The Company is represented in the transactions with external parties through the signatures of two authorized signatories.

The limits of authority of the authorized signatories of the Company are provided within the list of authorized signatories, which was issued before the 17th Notary Public of Uskudar with journal number 19006 on 01.06.2016.

5.1.10 Committees of the Board of Directors

5.1.10.1 Audit and Risk Committee

The Audit and Risk Committee is comprised of the following members. The Committee has held four meetings throughout the period between January 2019 and December 2019.

Full Name	Position	Inauguration Date
İlhan İl	Chairman	22.04.2019
Aynur Duygu Yılmaz	Board Member	22.04.2019
İzzet Karaca	Board Member	22.04.2019

5.1.10.2 Business Ethics Committee

The Business Ethics Committee is comprised of the following members.
The Committee convenes regularly on a weekly basis.

Full Name	Position	Inauguration Date
Mürvet Tezel	Chairman	22.04.2019
Serpil Veral	Board Member	22.04.2019
Aynur Duygu Yılmaz	Board Member	22.04.2019



5.1.10.3 Sustainability Committee

The Sustainability Committee is comprised of the following members.
The Committee convenes regularly on a weekly basis.

Full Name	Position	Inauguration Date
Aynur Duygu Yılmaz	Chairman	22.04.2019
İzzet Karaca	Board Member	22.04.2019
Murat Arat	Board Member	22.04.2019
Ergun Ermutlu	Board Member	22.04.2019

5.1.10.4 Corporate Governance Committee

The Corporate Governance Committee is comprised of the following members. The Committee has held four meetings throughout the period between January 2019 and December 2019.

Full Name	Position	Inauguration Date
Aynur Duygu Yılmaz	Chairman	22.04.2019
İlhan İl	Board Member	22.04.2019
Serpil Veral	Board Member	22.04.2019

5.1.11 Independent Auditor

During the ordinary General assembly meeting held on 22.04.2019, "Güney Bağımsız Denetim ve Serbest Muhasebe Mali Müşavirlik Anonim Şirketi" was appointed as the Independent Auditor of the Company.

5.1.12 Organizational Structure and Senior Management

The senior management of the Company is comprised of one General Manager, 3 Assistant General Managers and 5 directors.

Full Name	Position
Funda Ak	General Manager
Fatih Büyüktutku	Assistant General Manager - Finance
Emin Çolakoğlu - Deputy Chief Supply Chain Officer	Assistant General Manager - Production (Acting)
Hüseyin Yılmaz	Assistant General Manager - Sales Operations
Hüsnü Alphan Tonguç	Commercial Marketing and Channel Marketing Director
Ramazan Reşit Ertunç	Key Account Director
Ayhan Pekgöz	Out-Of Home Channel Director
İlkay Günaydın	Out-Of-Home Channel Director
Beti Yuhay Almozlino	Human Resources Director

5.1.13 Details of Staff Headcount

The staff headcount of the Company, including the staff members of the affiliates, is 4,288 as of 31.12.2019.



5.1.14 Details Regarding the Activities of the Directors Carried out within the Scope of the Non-Competition Requirement

The members of the Board of Directors have not conducted any transactions with and have not been engaged in any venture that could be in competition with the company within the accounting year between January and December 2019.

5.1.15 Financial Benefits Offered to the Members of the Board of Directors and the Senior Executives

Total amount of financial benefits provided to the members of the governing body and the senior executives such as remunerations, compensations, premiums, bonus payments and dividends throughout the accounting year between January and December 2019 is TRY 13,117,419.

5.1.16 Research and Development Activities of the Company

Sütaş Süt Ürünleri A.Ş. ("The Company"), as part of its environmental awareness and improvement activities, invested TRY 18.115.436 in research and development and technology throughout the accounting year between January and December 2019

5.1.17 Domestic and Foreign Investment

Throughout the accounting year between January and December 2019, the total amount of investment done by the company is TRY 197,114,446.

5.1.18 Details Regarding Independent (Private) Audit and Audit by Public Authorities

Regular audits have been conducted by the relevant public authorities throughout the accounting year between January and December 2019, and as a consequence of the examination of the accounts for 2012 of Sütaş A.Ş. by the Tax Inspection Department, some TRY 2,864,247 corporate tax and some TRY 4,296,371 tax fine have been imposed on the grounds that the commercial wastages were not had valued by the valuation commission, and the notice regarding the said imposition was served on 29.11.2017. As a part of the same examination, some TRY 509,360 Value Added Tax and some TRY 595,199 tax fine have been imposed and the notice regarding the same has been served. The Company has filed an application for conciliation for the said impositions, and a conciliation date has not yet been scheduled. In respect of the same matter; the imposition of the corporate tax, which had been imposed for the year of 2005, had been found unjust and canceled, on which account it is the expectation of the Company that the taxes and fines imposed for the year of 2012 will also be canceled through the course of the conciliation process. It is the opinion of the Company and the tax advisors that the said impositions are in contravention to the law and the opinions and practices of the Ministry of Finance, on which account it is expected that, should a legal action be filed on the relevant examination, the dispute is likely to be concluded by the judicial authorities for the favor of the Company. Therefore; the Company has not made any provision within its financial statements for the said fines.

5.1.19 Important Legal Cases

There are no legal cases, which have been filed throughout the accounting year between January and December 2019, that could materially affect the operations and the financial standing of the Company.

5.1.20 Judicial and Administrative Sanctions

No administrative or judicial sanction was imposed on the Company and the members of its governing body for any action thereof in breach of regulatory provisions within the relevant accounting year.

5.1.21 Donations and Aids

The company has made charitable donations in the amount of TRY 1,192,308 to a variety of entities and organizations throughout the accounting year between January and December 2019.

5.1.22 Relations with the Parent Company

The Company in its relations with the parent Company Yılmaz Holding A.Ş. and other group companies, except ordinary commercial activities, did not take any action that could require offsetting and which would be in favor of other group companies by the steering of the parent company.



5.2 Corporate Governance

5.2.1 Board of Directors



MUHARREM YILMAZ
CHAIRMAN OF THE BOARD

Muharrem Yılmaz was born in Karacabey, Bursa in 1957. After completing his secondary education at Galatasaray High School, he graduated from the Faculty of Economics and Administrative Sciences of Uludağ University in 1980. Having started working at the family company Sütaş since the undergraduate years, Yılmaz was appointed as General Manager in 1989. He has been serving as the Chairman of the Board of Directors of Sütaş since 2005. Muharrem Yılmaz has also undertaken active roles in non-governmental organizations besides his business life. Between 1999 and 2002, he served as the Chairman of the Board of Directors of Young Businessmen Association of Turkey. He served two 2-year terms on TÜGİAD's Board of Directors, first as a Member of Board of Directors between 2009-2010, as the Vice Chairman between 2011-2012 and then as the Chairman between 2013-2014. Carrying out parallel duties in business organizations during his Board Membership in TÜSİAD, he served as the Chairman of Board of Directors of Corporate Governance Association of Turkey (TKYD). In the same period, he served as the Vice Chairman of Board of Directors of the territorial and sectorial partners of TÜSİAD (Turkish Industry and Business Association), both Turkish Enterprise and Business Confederation (TÜRKONFED) and Federation of Sectoral Associations (SEDEFED), respectively.



S. TARIK TEZEL
VICE CHAIRMAN OF
THE BOARD

Born on November 13, 1961, Selim Tarık Tezel graduated from Interior Architecture Department of State Academy of Fine Arts (Mimar Sinan University) in 1987. After working abroad for a while, he completed his postgraduate education upon his return to Turkey. Working at his own architectural officer between 1989 and 1994, Tezel became the Advertising and Public Relations Manager of Sütaş in 1994. He served as the Vice General Manager of Purchasing and Logistics in Sütaş between 1998 and 2007 and as Supply Chain Director between 2007 and 2012. Tezel who was appointed as General Manager of Tarfaş A.Ş. in 2011, serves as the Vice Chairman of Board of Directors of both Sütaş A.Ş. and Tarfaş A.Ş.



SERPİL VERAL
VICE CHAIRWOMAN
OF THE BOARD

Serpil Veral, who was born on March 9, 1966, graduated from Ege University, Department of Food Engineering in 1989. She started her career in 1988 at Sütaş Süt Ürünleri A.Ş. She worked as Production Manager, Quality Assurance Coordinator, Deputy Technical General Manager and Management Systems Director respectively. Veral, who worked as General Manager of Sütaş Süt Ürünleri A.Ş. between 2010 and 2016, currently continues serving as the Deputy Chairwoman of the Board as well as the Chief Human Resources and Management Systems Officer of the Sütaş Group. Serpil Veral also serves as the Deputy Chairwoman of the Board of Directors of the Turkish Enterprise and Business Confederation (TÜRKONFED).



MURAT ARAT
BOARD MEMBER

Murat Arat was born on February 19, 1970 in İstanbul. Having completed his primary, secondary and high school education in Bursa; Arat graduated from METU Department of Food Engineering in 1992. He completed his MBA education at İstanbul University in 1993. Arat worked as Planning Specialist and Planning Manager at Mis Süt Sanayi A.Ş. between 1993 and 1996. He, then, started to work at Sütaş as Assistant to the General Manager in 1996. Arat served as the Investment Coordinator between 1998 and 2006. He served as the Deputy General Manager in Charge of Production between 2006 and 2008. Murat Arat has been serving as the Chief R&D and Technology Officer of the Sütaş Group since 2008. In addition to these duties, he has been serving as Deputy Chairman of the Board of Directors of Enfaş A.Ş., which is the Energy Activities Company of the Sütaş Group since 2013.



H. MUSTAFA ÇEVİK
BOARD MEMBER

H. Mustafa Çevik, who was born on December 12, 1958, graduated from Uludağ University, Faculty of Economics and Social Sciences, Department of Economics in 1980. In the same year, he started his career as Deputy Inspector at Pamukbank and served as Head of Inspection Board, Branch Manager and Deputy General Manager. At Sütaş A.Ş., where he started to serve as Deputy Chief Financial Officer in 2002, M. Çevik became the Chief Financial Officer in 2004. In addition, Çevik continues to serve as a member of the Board of Directors of Sütaş Süt Ürünleri A.Ş.



ERGÜN ERMUTLU
BOARD MEMBER

Born in 1958, Ergun Ermutlu completed his secondary education at Galatasaray High School, and then, started his university education at METU, Department of Business Administration and later graduated from Boğaziçi University, Department of Economics. He completed his MBA at Marmara University. Ergun Ermutlu who started his career as Marketing Officer at Erbak Uludağ A.Ş. in 1975, worked as Marketing Director between 1993 and 1995 at Total Group. He served as Franchising Director at Boyner Group between 1995 and 2000. He joined Sütaş as the Marketing Adviser in 2001. Ermutlu currently serves as Chief Marketing Officer and Member of the Board of Directors at the Sütaş Group.



MÜRVET TEZEL
BOARD MEMBER

Mürvet Tezel, who was born on November 28, 1961, graduated from Uludağ University Balıkesir Necati Bey Faculty of Education, Department of Biology-Chemistry. Tezel, who started her career at Sütaş in 1995, worked at accounting departments of İstanbul and Bursa Regional Directorates until 2004. Mürvet Tezel had served as a member of Sütaş Audit Committee between 2005 and 2015, and continues to serve as Member of the Board of Directors of Sütaş Süt Ürünleri A.Ş. and the Chairwoman of Business Ethics Committee.



HASAN TULGAR
BOARD MEMBER

Hasan Tulgar who graduated from Boğaziçi University, Department of Mechanical Engineering and Department of Physics in 1979, also completed his MA in Mechanical Engineering degree at the same university. Tulgar also graduated from İstanbul University Institute of Business Economics Department of Business Administration in 1986. Tulgar, who started his career at Demirören Group in 1982, worked at Efes Pilsen and Sınai Yatırım ve Kalkınma Bankası in the following years. Tulgar continued his senior management career which he started in 1988 at Marsa Margarin Sanayi A.Ş. as Business Development and Investments Manager, and as Business Development and Finance Group Manager at MarsaKra Jacobs Suchard. Tulgar, who served as Deputy Technical and Financial General Manager at FrukoTamek (Pepsi Cola) for a short period of time, joined Koç Group in 1995. Hasan Tulgar served as SEK (Dairy Industry Institution) General Manager and Member of the Board of Directors from 1997 until 2003, and then transferred to Sabancı Holding in the same year and became GıdaSA Farm Business Unit General Manager. Tulgar, who continued his career as Sütaş General Manager between 2007 and 2010, currently serves as the Chief Strategic Planning and Business Development Officer and a Member of the Board of Directors.





A. DUYGU YILMAZ
BOARD MEMBER

Duygu Yılmaz, who was born in Bursa in 1976, graduated from Boğaziçi University, Faculty of Business Administration in 1998. Ms. Yılmaz started her career as an auditor at PriceWaterhouse Coopers in Turkey in 1998. She worked as the Group Manager in the Financial Planning and Financial Affairs Department at Yapı Kredi Bank between 2005 and 2008. Ms. Yılmaz is serving as the Chief Audit Officer and member of the Board of Directors since 2011 at Sütaş Group, where she started to work as the Internal Audit Coordinator in 2008. Ms. Yılmaz is also Chairman of Corporate Governance Committee and Sustainability Committee of Sütaş Group. Duygu Yılmaz is also a Member of the Board of Business Council for Sustainable Development Turkey (SKD Turkey) and of the Corporate Governance Association of Turkey (TKYD).



HAYDAR YILMAZ
BOARD MEMBER

Haydar Yılmaz, who was born on February 2, 1958, started his career at Sütaş in 1990. He served as Collective Consumption Sales Chief between 1990 and 1991, as İstanbul Regional Manager between 1991 and 2000, as Special Customer Sales Coordinator between 2000 and 2004, as Deputy General Manager in Charge of Sales between 2004 and 2006, HORECA Food and Consumption Services Group Manager between 2006 and 2010. Yılmaz, who has been Member of the Board of Directors since 2010, became the General Manager of Sütaş's operations in the Republic of North Macedonia as of 2015.



İLHAN İL
INDEPENDENT BOARD MEMBER

İlhan İl, who graduated from Ankara University Faculty of Political Sciences Department of Finance in 1983, did his master's degree at West of England University in the field of International Business Economics in England in 1994. He started his career in 1984 as a Public Accountant at the Ministry of Finance. He was appointed as Advisor to State Minister in Charge of Economy in 1994 and Deputy General Manager of Economic Research and Assessment of Prime Ministry Undersecretariat of Foreign Trade in 1995. İlhan İl who joined Bilkent Holding in 1997, served as Member of Bilkent Holding Coordination Committee, Chairman of the Board of Directors of Tepe Home, Tepe Betopan, Tepe Prefabrik, Vice Chairman of the Board of Directors of Bilkent Cyberpark until 2015. İlhan İl has been serving as an Independent Member at Sütaş Group's Board of Directors since April 2015. Also, İlhan İl continues serving as the Chairman of the Board of Directors of Travellex Turkey, independent member of the Board of Directors of Trakya Cam Sanayi A.Ş. and Anadolu Cam Sanayi A.Ş., both being affiliates of the Şişecam Group.



İZZET KARACA
INDEPENDENT BOARD MEMBER

İzzet Karaca, who was born in 1954, graduated from Boğaziçi University, Department of Industrial Engineering in 1977. Karaca, who started his career at Koç Research and Development Center in 1977, served as Industrial Engineering and Information Technologies Manager until 1985, and as System and Organization Director at Ford Otosan between 1985 and 1988. Karaca has served as Internal Audit Group Manager, Logistics Manager, Commercial Director, General Manager at Unilever including Germany, Turkey and Baltic countries from 1988 onwards. In addition to his other existing responsibilities, İzzet Karaca also served as the President of International Investors' Association (YASED) between 2011 and 2013, throughout which term of office thereof he represented the top international companies operating in Turkey before the media, the universities and the government. Karaca retired on December 31, 2013 after having served as the Chief Executive Officer and the Chairman of the Board of the Turkey, North Africa, Central Asia, Middle East, Russia, Ukraine and Belarus regions of Unilever, which encompass some 35 countries, and also as a member of Unilever's global CEO Forum. Karaca compiled his experiences derived from his professional life of 40 years in his first book, entitled "Yeni CEO... Sensin" ("The New CEO... Is You"), which was published in 2015. İzzet Karaca currently continues serving as an independent member at boards of various companies.

5.2.2 Charter for the Board of Directors

The Board of Directors is the highest strategic decision-making, direction, supervision and representation body of the Company.

The Board of Directors shall be authorized and empowered to adopt resolutions and take action on any matters other than those required by the law and the Articles of Association to be resolved exclusively by the General Assembly Meeting save for its rights and powers that cannot be assigned and waived under the provisions of the applicable acts, codes and laws and the Articles of Association of the Company, and may delegate all or any of its managerial powers to one Member or several Members of the Board, to the Committees of the Board, the Chief Executive Officer (CEO), the Executive Committee or the members of the Executive Committee subject to such restrictions and limitations that could be considered appropriate under an internal directive that could be issued thereby. The Board of Directors may revoke, partially or entirely revise or rearrange the powers so delegated.

The Members of the Board of Directors are severally liable for the results should they intentionally or negligently fail to fulfill the responsibilities encumbered on them by the related regulations, the articles of association or the General Assembly.

The Members of the Board of Directors (excluding the independent members) may not undertake any task or duty outside the organization of the company that could lead to any conflict of interest or negligence.

As a principle, the Members of the Board of Directors may not conduct any transaction with or engage in competition against the company. In the event any such case is in question, the relevant Member of the Board of Directors shall notify the Board of Directors of the matter in writing. Also, the shareholders shall be informed of the matter in the next immediate shareholders' assembly meeting to be held and the matter shall be mentioned within the annual report. The Members of the Board of Directors may only conduct commercial transactions with or engage in competition against the company should such matter be approved by the shareholders. The Board of Directors shall be empowered on the matter during the the General Assembly meetings.

The Board of Directors meets regularly once in a month as previously planned and scheduled, and where it becomes necessary, the Board of Directors may meet immediately irrespective of the said period. The Board of Directors holds its meetings in Istanbul; however, the meetings may also be held at another place that could be considered appropriate by the simple majority of the members. A secretariat that is affiliated to the Chairman of the Board of Directors shall be established to serve the Members of the Board of Directors for the properly keeping of the documents related to the meetings of the Board of Directors.

The Board of Directors held 38 meetings between 01.01.2019 and 31.12.2019. All members of the Board participated to all meetings.. The meetings have been held at the head office of the company, and the members have been summoned to the meetings via phone and email. The resolutions adopted at the meetings of the Board of Directors have been adopted unanimously by the members, who were present at such meetings, and any member of the Board has not cast dissenting vote against the resolutions so adopted.

5.2.3 Committee Assessment by the Board of Directors

It has been declared by the Board of Directors that the Committees have functioned in accordance relevant operating principles and meeting frequencies. The minutes kept in respect of the outcomes of the meetings have been submitted to the Board of Directors. It has been established that the Committees have effectively performed and fulfilled their tasks and duties. Furthermore; the Audit and Risk Management Committee has filed 1 written declaration throughout the accounting year of 2019.



5.2.4 Internal Control and Internal Audit Activities of the Company

The “Audit and Risk Committee” established by the Board of Directors of the Company oversees the creation and implementation of the systems necessary for accounting, internal control, risk management and financial planning. The committee also oversees the compatibility and proficiency of the systems, and defines the internal powers and liabilities.

The Committee, while fulfilling this duty in this respect, utilizes the findings of Audit Department and the institutions which carry out the ratification process as a part of the independent audit and certified public accountant services.

The Audit Department regularly reviews the risk management and internal control systems of the Company within the framework of the risk-based annual audit plan prepared thereby in order to achieve the following goals, and directly reports findings derived thereby to the Audit and Risk Committee:

- Accuracy and reliability of the financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding Company's assets
- Ensuring compliance with applicable laws, acts, codes, regulations and contracts

The Audit function of the Company determines whether the internal control systems of the company function properly, and sets forth proposals for the improvement of the existing systems and the establishment of new systems where necessary.

5.2.5 Risk Management

The Company's risk management is based on the development and the monitoring of practices and applications designed to identify all existing or potential risks, to which the Company is or could be exposed, and to minimize the identified risks.

The Audit and Risk Committee carries out activities to identify the risks, which may jeopardize the existence, the growth and the sustainability of the Company, to take the necessary measures against the identified risks and to manage such risks as appropriate.

The existing and potential risks, to which the Company is and could be exposed, are generally assessed as set forth below:

- All production activities are managed and audited in accordance with food safety management system and foster legal compliance. Operational processes have become more effective, following the integration of ISO 9001:2015 (Quality Management System), FSSC 22000 (Food Safety Management System), ISO 50001 (Energy Management System) and ISO 14001:2015 Environmental Management System with our existing system. All management systems are internally and externally audited on a regular basis.
- The capital/debt relation, the exchange (currency) risk and the other financial risk factors that could directly impact the financial standing of the Company are checked and controlled on a weekly/monthly basis by relevant business units.
- The “Collateral - Risk Management System” is used for monitoring customer risks, whereby, in the event of any excess of limits defined in respect of the goods purchases by the customers, our systems deny the goods issue in relation to such purchases.
- SAP ERP system is an important technologic tool that enables the company to minimize existing risks and support decision support processes. The system enables instantaneous monitoring of the operational results and the elimination of human errors, and also the improvement of the efficiency of the internal control systems.

The company assets are insured against natural risks including fire, earthquake and etc. Insurance transactions are processed by competent brokers and in compliance with the real values of the assets.



5.3 Financial Information

Key indicators of the Company which have been in respect of the operating results of the years of 2019 and 2018 in conformity to Turkish Accounting Standards under Turkish Code of Commerce, are provided as follows.

5.3.1 Key Indicators of Financial Results

Temel Göstergeler	2019	2018
Total Assets	2.830.133.510	1.750.133.257
Net Sales	3.783.566.097	3.182.971.183
Working Capital Ratio	% 1,97	% 1,12
Accounts Receivable Collection Period	% 38,1	% 38,1
Inventory Turnover Period	% 51,2	% 47,3
Total Liabilities/ Total Assets	% 63	% 56
Gross Sales Profit Ratio	% 22	% 22
Net Profit Ratio	% 9	% 6

5.3.2 Management's Assessment of Financial Statements

Throughout the accounting year between January and December 2019, we have derived such results that are in line with our forecasts and projections and meet our strategic growth targets. Our assets, which amounted to TRY 1,750 million in 2018, has amounted to TRY 2,830 million as of 31.12.2019. Our net sales turnover has amounted to TRY 3.78 billion.

5.3.3 Profit Distribution Policy and Dividend Distribution

Our company bases its decisions about dividend distribution on the provisions of Turkish Commercial Code, tax regulations and other regulations, as well as the dividend distribution provisions in our Articles of Association. A consistent policy is implemented and dividends are distributed considering the balance between stakeholders and Company interests in line with CMB's Corporate Governance Principles. It is intended to distribute at least 20% of the net distributable profit for the accounting period, calculated according to Turkish Commercial Code and other relevant legislation, in cash and/or bonus shares as dividends. However, this policy will be reviewed annually by the Board of Directors taking investment strategies required for long-term growth, economic environment, market expectations, financing requirements and the profitability and cash circumstances into account, and submitted to the General Assembly for approval. Dividends are distributed at the latest by the end of the year in which the relevant General Assembly meeting is held, unless otherwise decided in the General Assembly meeting. The General Assembly, or the Board of Directors in case it is authorized, may decide to distribute dividends in installments of equivalent or varying amounts according to the provisions of the legislation in force. The Articles of Association of our Company is suitable for the distribution of advance dividends, and the Board of Directors may decide to distribute advance dividends limited to the relevant accounting period, provided it is authorized by the General Assembly, and subject to the provisions of the legislation in force.

The shareholders' equity of the Company consisting of its paid-in capital, capital reserves and the equity capital of undistributed profits has reached TRY 1,056,171,393 as of 31.12.2019.



THE BOARD OF DIRECTORS OF SÜTAŞ SÜT ÜRÜNLERİ ANONİM ŞİRKETİ

MUHARREM YILMAZ
CHAIRMAN OF THE BOARD

S. TARIK TEZEL
VICE CHAIRMAN
OF THE BOARD

SERPİL VERAL
VICE CHAIRWOMAN
OF THE BOARD

MURAT ARAT
BOARD MEMBER

H. MUSTAFA ÇEVİK
BOARD MEMBER

ERGÜN ERMUTLU
BOARD MEMBER

MÜRVET TEZEL
BOARD MEMBER

HASAN TULGAR
BOARD MEMBER

A. DUYGU YILMAZ
BOARD MEMBER

HAYDAR YILMAZ
BOARD MEMBER

İLHAN İL
INDEPENDENT BOARD MEMBER

İZZET KARACA
INDEPENDENT BOARD MEMBER



6. CORPORATE GOVERNANCE COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

Operating with a view to spreading the goodness and abundance of milk; Sütaş Süt Ürünleri A.Ş. believes, with the awareness of its commitment towards all its stakeholders, in the importance of the implementation of high corporate governance standards in the maintenance of successful business practices, ensuring the sustainability of the Company and the continuous creation of value for the stakeholders. Accordingly; Sütaş Süt Ürünleri A.Ş. identifies and regulates the values and priorities, with due consideration of which the Company is to be managed, and the processes and the rules, through and in compliance with which the Company is to be managed, the powers and the responsibilities of the executives, and the rights of all stakeholders, primarily including those of the staff members, with respect to the Corporate Governance Principles. Acting in strict compliance with any and all applicable laws, acts, codes and regulations, Sütaş Süt Ürünleri A.Ş. has voluntarily adopted the concepts of equality, transparency, accountability and responsibility of the Corporate Governance Principles as set forth within the Communiqué on Corporate Governance (II-17.1) issued by the Capital Markets Board (CMB).

In order for the continuous improvement of the Corporate Governance practices, the utmost importance is attached to the measuring and rating activities carried out by the relevant independent institutions.

The “Corporate Governance Rating Periodical Revision Report” issued periodically by the international rating agency SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., authorized to carry out rating activities in accordance with the Corporate Governance Principles of CMB in Turkey has been completed. The Corporate Governance Rating score of the Company, which was 95.7 by December 28, 2018, has been revised to 95.90 as of December 30, 2019 as a result of the continuous improvement actions taken. The breakdown of the Corporate Governance Rating score headings is as follows.

Sub Headings	Weight	Score
Shareholders	%25	95,29
Public Disclosure and Transparency	%25	97,84
Stakeholders	%15	98,53
Board of Directors	%35	93,82
Total	%100	95,90

The report on the corporate governance rating is available online at the corporate website of the company, www.sutas.com.tr, and the activities aimed at further improvement of the Corporate Governance principles continue.

Duygu Yılmaz

Chairwoman of the Corporate
Governance Committee

İlhan İl

Member of the Corporate
Governance Committee

Serpil Veral

Member of the Corporate
Governance Committee



SECTION I – SHAREHOLDERS

2. Investor Relations Unit

The Investor Relations Unit was established to monitor the relations between the shareholders and the Company, to ensure effective communication between the shareholders and the Board of Directors and to fulfill the information requests of shareholders in line with Corporate Governance Principles.

The individuals in charge of Investor Relations Department are Mr. Murat Özdalga, Mr. Murat Coşkun and Ms. Dilara Köktürk. Mr. Murat Özdalga is the manager of the unit.

The contact details for the Investor Relations Unit are as follows.

Full Name	Phone	E-mail
Murat Özdalga	0 224 688 51 01	mozdalga@sutas.com.tr
Murat Coşkun	0224 688 51 01	mcoskun@sutas.com.tr
Dilara Köktürk	0216 572 30 50	dkokturk@sutas.com.tr

The Investor Relations Unit essentially;

- Ensures healthy, reliable and current monitoring of Shareholder records,
- Responds to the written information requests by shareholders about the company according to the legislation, Articles of Association, Corporate Governance Principles and the Disclosure Policy, except for matters undisclosed to the public, confidential and/or trade secrets,
- Ensures that the General Assembly Meeting is conducted according to the legislation in force, Articles of Association and other intra-company regulations,
- Prepares the documents that can be beneficial to shareholders attending the General Assembly Meeting.
- Helps the meeting chairman and carries out the necessary work to properly maintain the meeting minutes, record the voting results and drafting of reports about the results,
- Makes recommendations to ensure that annual reports are produced in line with the legislation and Corporate Governance Principles.

3. Exercise of the Shareholders' Right to Information

Throughout the relevant accounting year, all of the applications for information filed by the shareholders of the Company with the Investor Relations Unit have been responded.

The Company has taken necessary measures to ensure that information requests are addressed and responded properly and diligently as soon as possible, completely and fairly by the Investor Relations Unit.

The shareholders can obtain information on such matters, regarding which they frequently need information, as well as the developments that could significantly affect the exercise of their respective rights from the corporate website of the Company, which is available at www.sutas.com.tr, and from the Company's head office.

Any and all information that could be necessary for the proper exercise of the shareholders' rights as well as the annual report of the Company are made available for the information and the benefit of the shareholders at the Company's head office.

4. Details Regarding the Shareholders' Assembly Meetings

The General Assembly Meeting to discuss the 2019 business results, was held on April 22, 2020 at 14.00 in SÜTAŞ AŞ's address at Karacabey District, Uluabat Village, Bursa

The first announcement for the meeting was issued in the Turkish Trade Registry Gazette, dated April 01, 2020.

Announcements for the invitation to the Company's General Assembly Meetings of the Company are made in accordance with the relevant applicable provisions of Turkish Code of Commerce and the regulations and communiques issued under that code, as provided under Article 20, entitled "Announcements", of the Articles of Association.

The financial statements and reports, including the annual report, the informational documents prepared in respect of the General Assembly agenda items, where necessary, the latest version of the articles of association and the amendment texts and justifications (if amendments will be made on the Articles of Association) have been held open to inspection by our Shareholders in our Company Headquarters and specified branch offices from the date of the invitation announcement for the General Assembly Meeting. If there are any changes to the Articles of Association, both the old and amended copies should be available.

Our shareholders can directly access the information and documents about the ordinary General Assembly meeting through our corporate website at www.sutas.com.tr.

In the cases, where a question posed during the General Assembly is irrelevant to the agenda or it cannot be answered immediately due to its extensive nature; such question is answered in writing by the Investor Relations Unit at the latest in 30 business days.

No shareholder has asked a question during the General assembly meeting.

5. Voting Rights and Minority Rights

There are not any privileged shares and any voting rights associated thereto within the organization of our company.

General Assembly Meetings and the quorum at the meetings are subject to the provisions of Turkish Commercial Code.

Shareholder or their proxies present at the ordinary or extraordinary General assembly meetings is entitled to one vote per share.

The votes at General assembly meetings are cast by raising hands.

It is possible that a secret ballot be applied upon request by the shareholders representing one tenth of the capital represented by all the shareholders present in the General Assembly Meeting.

Shareholders may not vote in deliberations concerning personal matters or litigations between themselves or their spouses or their relatives and the Company.

The shareholders may choose to represent themselves in the General Assembly Meetings via other shareholders or an exterior proxy that they will assign in line with the provisions of Turkish Commercial Code concerning voting by proxy. Proxies who are themselves shareholders of the Company are authorized to use the votes of the shareholder they represent in addition to their own votes.

There is no reciprocal subsidiary relationship between any shareholder and the Company.

6. Right to Dividends

The Company does not implement any privileges with regards to the distribution of dividends.

Our company bases its decisions regarding dividend distribution on the provisions of Turkish Commercial Code, tax regulations and other regulations, as well as the dividend distribution provisions in our Articles of Association. A consistent policy is implemented and dividends are distributed considering the balance between stakeholders and Company interests in line CMB's Corporate Governance Principles.

It is intended to distribute at least 20% of the net distributable profit for the accounting period, calculated according to Turkish Commercial Code and other relevant legislation, in cash and/or bonus shares as dividends. However, this



policy will be reviewed annually by the Board of Directors taking investment strategies required for long-term growth, economic environment, market expectations, financing requirements and the profitability and cash circumstances into account, and submitted to the General Assembly for approval.

Dividends are distributed by no later than the end of the year, in which the relevant General Assembly Meeting is held, unless otherwise decided in the General Assembly Meeting. The General Assembly, or the Board of Directors in case it is authorized, may decide to distribute dividends in installments of equivalent or varying amounts according to the provisions of the legislation in force.

The Articles of Association of our Company is suitable for the distribution of advance dividends, and the Board of Directors may decide to distribute advance dividends limited to the relevant accounting period, provided it is authorized by the General Assembly, and subject to the provisions of the legislation in force.

7. Transfer of Shares

The articles of association of the Company does not contain any provisions that restrict the transfer of shares. The shares are transferred in accordance with the relevant provisions of Turkish Code of Commerce.

SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy of the Company

The main purpose of Sütaş A.Ş. ("Sütaş" or "Company") Disclosure Policy is to provide timely, accurate, complete and understandable information to shareholders and stakeholders, to define the principles of oral and written communication. This disclosure policy is established based on Turkish Commercial Code, ("TCC") other legal regulations and the Corporate Governance Principles. The Corporate Governance Committee assigned by the Board of Directors is responsible for the establishment and development of the Disclosure Policy, and for monitoring its processes. The Company uses the following methods and tools while implementing its public disclosure and information policy:

Disclosure to Shareholders:

The regular General Assembly meetings are convened in legal periods annually. The information relevant to Shareholders' participation in the General Assembly and announcements related to capital increase and dividend payments are made through the Turkish Trade Registry Gazette, mail and e-mail.

The Company's financial statements and footnotes, prepared according to Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") -along with a suitability opinion from the Audit and Risk Committee- and the independent audit reports are announced to shareholders in line with TCC regulations.

Our annual reports and any information and documentation required by the legal regulations are available to shareholders. The annual report approved by the Board of Directors is published in English and in Turkish on the web site.

All requests for opinion, information and meetings from the shareholders are evaluated by the "Investor Relations Unit".

Disclosure through the Corporate Website:

The web site at www.sutas.com.tr includes details about the Company, current and historical data according to Corporate Governance Principles. Major titles on the web site include:



- Our Mission, Vision and Values
- Corporate Governance Compliance Report
- Details regarding the Information Society Services
 - Articles of Association
 - Trade Registry Details
 - Members of the Board of Directors
 - General Assembly Reports (meeting date, agenda and attendance sheet of the General Assembly)
 - Details of the Company's Designated Independent Auditor Shareholding Structure
- Committees of the Board of Directors
 - Corporate Governance Committee
 - Audit and Risk Committee
 - Business Ethics Committee
- Corporate Governance Policies
 - Disclosure Policy
 - Dividend Distribution Policy
 - Human Resources Policy
 - Information Security Policy
 - Donation Policy
 - Energy and Environmental Policy
 - Occupational Health and Safety Policy
- Code of Ethics
- Annual Reports
- Frequently Asked Questions
- Press releases
- Sustainability Reports
- Information about the field of activity and products

Disclosure through press and monitoring news stories

Information through the press is performed and the inquiries filed by the press are addressed and responded by the Corporate Communications Office.

- A Company Spokesperson who will represent the company in all information channels including the press is assigned by the Chairman of the Board of Directors.
- All kinds of news stories relevant to the Company published on all local, national or international media outlets including TV, printed press, internet and radio are monitored by the Corporate Communications Office. This information is also made available for use by the senior management
- If an untrue news story relevant to the Company is encountered, the issue is evaluated with the Chairman of the Board of Directors.

Disclosure to other stakeholders:

- When previously undisclosed information needs to be disclosed in reply to questions posed to our Company by shareholders and stakeholders, the issue is handled by a Group consisting of the Chairman of the Board of Directors, Investor Relations Unit Manager and the Corporate Communications Coordinator under the coordination of the Corporate Governance Committee and evaluated according to the Disclosure Policy.

- Requests and questions reaching the Sütaş Consumer Hotline through communication tools such as phone, e-mail, fax etc. from the customers, suppliers and consumers are addressed in at most 24 hours and the applicant is informed. In case resolving the issue requires more time, the applicant is informed in all the steps of the process. The duration of resolution of the matter is considered a performance criterion for the relevant manager.

9. Corporate Website and Its Contents

For the public disclosure purposes; the corporate website of Sütaş A.Ş., available at www.sutas.com.tr, is actively used as provided and required by Turkish Code of Commerce. The website has been designed and divided into sections with due consideration of the said purposes, and contains components related to the Corporate Governance Principles (details of which are explained within Section 8, entitled Disclosure, of the report).

10. Annual Report

The annual report of the Board of Directors is prepared to ensure that the public is able to access complete and accurate information about the operations of the Company and to contain such details as required by TCC.



SECTION III- STAKEHOLDERS

11. Disclosure to Stakeholders

Our stakeholders include shareholders, employees, customers and suppliers. Care is given to regularly supply information about issues concerning our company and the relevant stakeholders, and to regulate as much as possible the relationships with them through written contracts. .

In the cases, where the rights of the stakeholders are not regulated by the applicable laws, acts, codes and regulations or through contracts; the interests of the stakeholders are protected in accordance with the principles of good faith and to the extent that the capabilities of the Company allows with the due consideration of the reputation of the Company.

Sütaş A.Ş. does not procure investment consultancy services. In order to prevent potential conflict of interest between the Company and any respective service provider thereof such as the rating service provider; mutual contracts are executed and the mutual rights are so guaranteed. There are no conflicts of interest between the Company and any service provider, from which the Company procures consultancy services.

12. Stakeholder Engagement

Our Company is in constant communication with all of its stakeholders. Their feedback is presented for the evaluation of the senior management following the studies through internal procedures, solution proposals and policies are developed

Our Company attaches great importance to the practices oriented at quality, efficiency and corporate governance. either directly or through the agency of the persons designated thereby. To maintain this relationship in compliance with business ethics; the customer and supplier relations is extensively discussed in our handbook of code of ethics "Being a Sütaş Family Member.

Sütaş A.Ş. attaches priority to customer satisfaction through the course of any and all its commercial activities. After-sales follow up, practices for products on shelves, procedures for handling returned products ensure customer satisfaction and the confidentiality of the information and trade secrets of customers and suppliers are respected. Numerous channels exist for our suppliers, customers or the final customers (consumer) to send us comments, suggestions or complaints about our products or services. These channels are closely monitored,, appropriate solutions are developed to address the issues raised thereby. The performance of the organization established to that end is continuously measured electronically, using predetermined criteria.

Our suppliers, customers or consumers can reach the Company by dialing 444 4 SÜT (788) or by sending emails to tuketici@sutas.com.tr or to iletisim@sutas.com.tr, the main corporate contact email address of the Company. All the communications channels are listed prominently on our product packaging, our web site and our advertisement outlets.

13. Human Resources Policy

Our Human Resources vision is to establish a family of good people, of good citizens who have achieved a high level of awareness and responsibility, of good milkmen who became experts and masters of their work who adopt and passionate about the mission to spread the goodness and abundance of milk, and make Sütaş into a strong employee brand respected for its mission.

Recruitment Policy

Our recruitment policy is to attract and retain the potential and talented human resource by using tools and techniques that provide equal opportunities to the candidates and appoint them in the most correct manner.

In this context, candidates that we contact via various sources undergo an assessment process, based on position. In the assessment process, in addition to interviews, candidates undergo Personality analysis, English proficiency and general aptitude tests, and case studies depending on the level and requirements of the positions.



Accordingly, the candidates, to which we reach through a variety of sources depending on the nature of the relevant position, undergo such assessment processes that are determined also with respect to the relevant position. The assessment processes include, in addition to the interviews, the personality analysis, level of proficiency in English as well as general aptitude tests and case study tests with respect to the level and the requirements of the relevant position.

Employee Orientation Policy

Our orientation process aims the adoption of Süttaş values by our new employees. It also allows them to be ready for their position. During this process, employees are informed of Süttaş vision, mission, values and business conduct; and they receive the technical training required to perform their tasks

Each newly recruited employee undergoes the orientation program that is implemented as a part of the “Guide Dairyman Program”.

Performance Management Policy

A target- and competency-based performance management system is implemented to steer our employees toward shared goals, to improve efficiency and to reward success.. Succession and career planning are established based on performance. Salary and fringe benefit processes are managed.

Training Policy

We consider the training of our employees an important aspect of our company’s development, and we continuously invest in our human resource. It is our training policy to support our employees through need-based trainings that will enable them to continue to work with a high level of motivation and performance.

In this perspective, our employees are provided with self-development trainings as well as job- and position-specific expertise trainings and technical trainings designed to improve business conduct.

Career Management Policy

The basis of our career management policy is to support the sustainability of our organization and to prepare our employees to their future roles. In our company, our employees are given priority on career opportunities and their development is monitored through this perspective.

Rewarding Policy

The ideas that add value to the Company are rewarded through the Recognition and Appreciation system in order to ensure participation of our employees, encourage creative and innovative ideas that make difference and to collectively celebrate success.

Equal Opportunities Policy

Equal opportunity is the basis of our code of ethics, our human resources policy and practices. Any discrimination in terms of gender, ethnic origin etc. is unacceptable in our Company. No employee may propagandize their religious beliefs and political views at work or base their decisions on these views. All of our employees may report to the Ethics Committee anonymously if they face issues such as gender inequality, mobbing and sexual harassment at work.

Equal opportunity is the basis of our code of ethics, human resources policy and practices. Gender, ethnicity, etc. all kinds of discrimination are strictly unacceptable in our Company. No employee may propagandize their religious and political opinions at work, or base their decisions on these opinions. All of our employees may report to the Ethics Committee anonymously if they face issues such as gender inequality, mobbing and sexual harassment at work

Policy on Compliance with Code of Ethics

The details on this policy are provided within item 14, entitled Ethical Rules and Social Responsibility.



Remuneration Policy

The remuneration policy implemented at Sütaş A.Ş. is designed to enable our company to be competitive in the labor market and to promote sustainable performance for our employees.

A remuneration system based on business values and governed by a grade degree structure is implemented in our Company. Our remuneration package consists of base salary, premiums, bonuses and fringe benefits. These components of our salary package vary according to the position, degree of responsibility, the market value of the position, personal performance and qualities of the employee, the inflation and industry circumstances.

Base salary increase is done based on predetermined criteria. Bonuses are paid at predetermined times in the year and at predetermined rates based on base salary. Performance premiums are paid annually and sales premiums are paid in monthly and 3-monthly periods according to the achievement results of the goals set for the employees and in compliance with our premium system. Additionally, we also have a task based premium system

Compensation Policy

Our compensation policy is created according to the provisions of Labor Law No. 4857.

In this context; Severance Payment is paid to the employee whose employment contract is terminated under circumstances requiring a severance payment as stipulated in Labor Law No. 4857, and who has been employed in our Company for a minimum of one year (or to his/her legal heirs in the event of the employee's death), based on the employee's employment duration and salary, within the upper limits determined for severance payments by the law.

Notice Payment, is implemented by notifying the employee that their employment contract will be terminated, and by granting permission to seek new employment or by paying the amount that accrues by the end of the notice period in cash, according to the seniority of the employee.

14. Code of Ethics and Social Responsibility

The operations of the company are carried out in compliance with any and all applicable legal regulations and the Code of Ethics established by Sütaş Group, which are disclosed at www.sutas.com.tr. The Code of Ethics are also delivered to all employees as a part of the document, entitled "Sütaşlı Olmak" ("Being A Sütaş Member"), and published on the internal communication platform (intranet) of the Company.

Each and every employee of the Company is obliged to comply with and observe our Code of Ethics. Through the course of the orientation program, each newly recruited employee is provided with detailed information, both verbally and in writing, about our Code of Ethics, the actions that could be taken in order to support the compliance with and the observance of the Code of Ethics, the ethics committee, the modus operandi of the ethics committee and the forms of application as well as the processes implemented in the event of any action in breach of the Code of Ethics.

The assessments of the Ethics Committee are conducted and the sanctions to be imposed thereby are imposed in compliance with the relevant applicable laws, acts, codes and regulations. The Ethics Committee warrants keeping the applications filed therewith confidential.

The details regarding the Business Ethics Committee are provided under item 17, entitled Number, Structure and Independence of the Committees Constituted on the Board of Directors.

The social responsibility activities carried out by the company are described in details within the relevant sections of the Annual Report and the Sustainability Reports.



SECTION IV – BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

The Board of Directors acts as the highest management and supervisory body of the Company by way of exercising the authority and powers granted and fulfilling the responsibilities assigned thereto by the shareholders at the General Assembly in accordance with the applicable laws, acts, codes and regulations as well as the articles of association and the internal regulations and policies of the Company.

Pursuant to the Articles of Association; the Board of Directors is authorized to adopt resolutions on any and all matters that do not fall into the exclusive scope of authority of the General Assembly according to Turkish Code of Commerce and the applicable regulations, and to enforce such resolutions.

The Company is managed and represented toward third parties by the Board of Directors. Any document issued and any agreement entered into by the Company requires the signature of the persons, who are empowered to represent and engage the Company, under the Company's stamp in order to be effective.

The Board of Directors may adopt resolutions on the division of labor in respect of the management and representation of the Company amongst the members of the Board in accordance with the relevant provisions of Turkish Code of Commerce, or may delegate such management and representation powers to an executive committee, which it may constitute within its own organization, or to one or more managing director(s), whom it may appoint also within its own organization, or to one or more manager(s), who may be but are not required to be shareholders, or to third parties through an internal directive that it may issue.

The Members of the Board of Directors are severally liable for the results should they intentionally or negligently fail to fulfill the responsibilities encumbered on them by the related regulations, the articles of association or the General Assembly.

The members of the Board of Directors are elected and appointed by the General Assembly for a maximum term of office of 3 years. Any member, whose term of office expires, is eligible to be re-appointed. Any member of the Board of Directors may be dismissed by the General Assembly at any time where so deemed necessary. Particular attention is to be paid to make sure that at least 25% of the members of the Board of Directors are female.

In the organization of our Company, the duties of the 'Nomination Committee' are performed by the Corporate Governance Committee.

The qualifications required by the applicable laws, acts, codes and regulations as well as those set forth within and required by the Corporate Governance Principles are applicable for the election and appointment of the members of the Board of Directors. It is made sure that, among the persons, who meet such requirements of qualification, such persons that are capable of exercising their authorities granted thereby in the most effective manner are appointed as the members of the Board of Directors.

Particular attention is paid to make sure that the persons, who are to be appointed as the members of the Board of Directors, also have basic knowledge about the transactions related to the scope of operations of the Company as well as the relevant legal regulations.

At the Board of Directors, there are members, who have executive duties, as well as members, who do not have such duties. A Board member, who does not have executive duties, is a member, who does not have any other administrative duties within the organization of the Company, or to whom any executive unit does not report, and who is not involved in the daily work flow and the ordinary operations of the Company.

In the organization of the Company, the Board of Directors and the General Manager are two separate offices held by two different persons. The Board of Directors plays a leading role in the maintenance of effective and efficient communication between the Company and the shareholders and the settlement and resolution of any controversies, which may so arise.

The details of the Members of the Board of Directors are provided as follows, and the résumés thereof are available within the section, entitled Corporate Governance, of the Annual Report and on the corporate website of the Company.



Full Name	Title	Executive/Independent/Non-Executive	Organization	Term of Office
Muharrem Yılmaz	Chairman - Managing Director	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Selim Tarık Tezel	Deputy Chairman of the Board	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Serpil Veral	Deputy Chairwoman of the Board	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Murat Arat	Board Member	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Hüseyin Mustafa Çevik	Board Member	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Ergun Ermutlu	Board Member	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Mürvet Tezel	Board Member	Not Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Hasan Tulgar	Board Member	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Aynur Duygu Yılmaz	Board Member	Not Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
Haydar Yılmaz	Board Member	Executive/Not Independent	SÜTAŞ A.Ş.	22.04.2020
İlhan İl	Board Member	Not Executive/Independent		22.04.2020
İzzet Karaca	Board Member	Not Executive/Independent		22.04.2020

The matter of prohibition of the Members of the Board of Directors to engage in transactions with and in competition against the Company is addressed and discussed by the Shareholders' Assembly in accordance with Articles 395 and 396 of Turkish Code of Commerce during the Ordinary Shareholders' Assembly meetings held on an annual basis, and the necessary powers and permissions are granted for the relevant period.

16. Charter of the Board of Directors

The Board of Directors meets regularly once in a month as previously planned and scheduled, and where it becomes necessary, the Board of Directors may meet immediately irrespectively of the said period.

The initial meeting of the Board of Directors is held on the day, on which the members of the same are elected and appointed at the General Assembly Meeting. During such initial meeting, the Chairperson of the Board of Directors as well as at least one Deputy Chairperson are elected and resolutions regarding division labor are adopted.

The agenda items to be discussed at the meetings of the Board of Directors are determined by the Chairman of the Board. The relevant agenda items are advised to the members of the Board in advance of each meeting. Where necessary, the documents and information related to the agenda items are made available to the members of the Board of Directors for review prior to the meeting. The agenda may be amended by a resolution on the matter of the Board.

The members are summoned for meetings in writing or via phone or email. The meetings are held upon the invitation of the Chairperson or, where the Chairperson is absent, the Deputy Chairperson of the Board of Directors. Furthermore, upon the written request of any Member, the Chairperson or, where the Chairperson is absent, the Deputy Chairperson may summon the Board of Directors for a meeting.

The required quorum for meeting in respect of the Board of Directors is the 2/3 of the total number of the Members, and the required quorum for resolution in respect of the same is the 2/3 of the number of the Members, who are present at the relevant meeting. Each member is entitled to one vote at the meetings of the Board of Directors. Any member of the Board of Directors is not entitled to privileged vote or veto right. In the event there are equal number of affirmative and dissenting votes at a meeting of the Board of Directors, the discussion of the relevant matter is postponed to the next immediate meeting. In the event of the equality of affirmative and dissenting votes during such next meeting, the matter is considered to have been rejected.

A secretariat that is affiliated to the Chairman of the Board of Directors is to be established to serve the Members of the Board of Directors for the properly keeping of the documents related to the meetings of the Board of Directors.

The Board of Directors held 38 meetings between 01.01.2019 and 31.12.2019. The said meetings have been attended by all members of the Board. The meetings have been held at the head office of the company, and the members have been summoned to the meetings via phone and email. The resolutions adopted at the meetings of the Board of Directors have been adopted unanimously by the members, who were present at such meetings, and any member of the Board has not cast dissenting vote against the resolutions so adopted.

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

There are 3 committees (The Audit and Risk Management Committee, Corporate Governance Committee and the Ethics Committee) established under the authority of the Board of Directors to ensure the effective execution of its duties. These committees function according to the working principles defined by the Board. . The resolutions adopted by the committees as a consequence of the activities carried out independently, are submitted as proposals to and the final resolutions are adopted by the Board of Directors.

The fields of activity, the charters and the members of the committees are determined by the Board of Directors. The Chairperson of the Board of Directors and the General Manager may not be appointed to serve at any committee. Resources and support necessary for the committees to fulfill their duties are provided by the Board of Directors. The committees may invite and take the opinions of the person(s) who may be deemed necessary. . The committees document and keep records of all their activities, and submit their minutiae to the Board of Directors.

The committees convene in such frequencies at times as it deems necessary to efficiently fulfill their responsibilities, and as specified in their charter. . The committees submit reports containing information about their activities and the outcomes of their meetings to the Board of Directors. The effectiveness of the committees is assessed by the Board of Directors.

Audit and Risk Committee

The Audit and Risk Committee is responsible for auditing the accuracy, transparency, compliance with the applicable regulations and the conformity to the international accounting standards of the annual financial statements and other financial information. The committee oversees the selection of the independent audit firm, the preparation of the audit contracts and the commencement of the audit process and the activities at each stage of the independent audit firm. The Committee reviews the activities, organizational structure and the nature of the internal audit function, and submits proposals and considerations on such matters to the Board of Directors. The scope of such considerations cover such matters as the responsibilities of the internal audit function of the Company and the budget and the human resources of the Audit Department.

Furthermore, the Committee approves the annual audit plan prepared by the Audit Department and where necessary, any revisions thereto. The methods and the criteria applicable for the handling, review and conclusion of the complaints received by the Company in relation to the accounting practices, internal control system and independent audit of the Company and the handling in confidentiality of the reports filed by the staff members of the Company in respect of the accounting practices and the independent audit of the Company are identified and set forth by the Audit and Risk Committee.

In addition, the Audit and Risk Committee carries out activities to identify any strategic, operational, financial legal and other risks, which may jeopardize the existence, the growth and the sustainability of the Company, to take the necessary measures against the identified risks and to manage such risks as appropriate. The Committee carries out activities as necessary for the mapping of the risks, to which the Company is exposed, in line with the opinions of the Board of Directors or has such activities carried out, and reviews such activities as and when necessary. The Committee identifies and sets forth the Risk Management Policies and the relevant implementing procedures, and oversees the compliance with the same.

The Committee may, where considered necessary, request information, opinions and reports from the relevant units in order to ensure the effective fulfillment of the risk monitoring function. The Committee reviews the risk management systems at least once a year.

The Audit and Risk Committee is comprised of 3 members. The Chairperson of the Committee is elected and appointed from among the members of the Board of Directors. The Committee convenes at least 4 times a year. At least one member of the Audit and Risk Committee is required to have a minimum of 10 years of experience in audit/accounting and finance.

The details of the current members of the Company's Audit and Risk Committee are as follows:

Full Name	Title at the Committee	Title at the Board of Directors
İlhan İl	Chairman	Independent Board Member
Aynur Duygu Yılmaz	Board Member	Board Member
İzzet Karaca	Board Member	Independent Board Member

Corporate Governance Committee

The Corporate Governance Committee oversees the implementation of Corporate Governance Principles, identifies conflicts of interest that may occur for not complying with the principles in full, and makes recommendations to the Board of Directors on the areas for improvement. Reviews the "Corporate Governance Compliance Report" to be disclosed to the public and evaluates the accuracy and consistency of the information contained therein against the information that the Committee possesses.

The Committee ensures the improvement, adoption and implementation of the Corporate Governance Principles within the organization of the Company, and examines the areas where they cannot be implemented and makes recommendations to the Board of Directors in order to improve the level of compliance.

The Corporate Governance Committee keeps track with the globally adopted, recognized and implemented Corporate Governance Principles, and submits proposals to the Board of Directors for the implementation of the principles that are necessary to be implemented within the Company.

Furthermore, the Corporate Governance Committee also fulfills the duties of the "Nomination Committee" as well as the "Compensation Committee".

The Corporate Governance Committee is comprised of 3 members, and convenes at least 4 times a year.

The details of the current members of the Company's Corporate Governance Committee are as follows:

Full Name	Title at the Committee	Title at the Board of Directors
Aynur Duygu Yılmaz	Chairman	Board Member
İlhan İl	Board Member	Independent Board Member
Serpil Veral	Board Member	Board Member

Business Ethics Committee

The Ethics Committee declares the code of ethics and the administration of the code to the employees and offers regular trainings. Ensures the adoption and development of a business ethics culture.

The Committee updates the code of ethics as well as the implementation process of the Committee in line with changing circumstances, and opinions and suggestions submitted to the Committee, and submits the updates for approval to the Board of Directors.

Unless any special circumstances require otherwise, the Business Ethics Committee convenes at least once a month to address and discuss the applications filed with the Committee about code violations, and to decide whether an investigation will be conducted and whether an issue exists that should be referred to the Disciplinary Committee.

The Ethics Committee is responsible for conducting inquiries and investigations about claims of code violations, either ex officio or based on filed complaints. The decision about an application is declared with reference to the relevant clause of the code.. The resolutions adopted by the Committee is enforced promptly.

The members of the Committee act independently of the organizational hierarchy while performing their duty. Ethics Committee may refer to the opinions of experts on the subject matter and may invite them to meetings in an advisory capacity if need be.

The details of the current members of the Company's Business Ethics Committee are as follows:

Full Name	Title at the Committee	Title at the Board of Directors
Mürvet Tezel	Chairman	Board Member
Serpil Veral	Board Member	Board Member
Aynur Duygu Yılmaz	Board Member	Board Member



Sustainability Committee

The Sustainability Committee is responsible for the determination of the sustainability strategy, the setting monitoring, supervision and implementation of targets, the approval and the supervision of the report and the communication plan prepared as well as any and all associated processes, and the bringing up of the significant matters related to sustainability to the agenda of the Board of Directors.

The Sustainability Committee convenes, at least, twice a month.

The details of the current members of the Company's Sustainability Committee are provided as follows:

Full Name	Title at the Committee	Title at the Board of Directors
Aynur Duygu Yılmaz	Chairwoman	Board Member
İzzet Karaca	Board Member	Independent Board Member
Murat Arat	Board Member	Board Member
Ergun Ermutlu	Board Member	Board Member

18. Risk Management and Internal Control Mechanisms

The Company's risk management is based on the development and the monitoring of practices and applications that are designed to identify all existing or potential risks, to which the Company is or could be exposed, and to minimize the risks identified.

The Audit Department of the Sütaş Group carries out activities to identify the risks, which may jeopardize the existence, the growth and the sustainability of the Company, to take the necessary measures against the identified risks and to manage such risks as appropriate.

The existing and potential risks, to which the Company is and could be exposed, are generally assessed as set forth below:

- Any and all activities of the Company are carried out and audited in accordance with the quality management system, the food safety requirements and the provisions of relevant applicable regulations. Our operational process has been rendered more effective through the ISO9001:2015 (Quality Management System Standard), FSSC 22000 (Food Safety Management System Standard), ISO50001 (Energy Management System Standard), ISO 14001:20015 (Environmental Management System Standard), OHSAS 18001 (Occupational Health and Safety System Standard) and ISO/IEC 27001 (Information Security System Standard), incorporated into our existing management system. The currency of the said systems is maintained on a continuous basis through the internal and external audits conducted each and every year.
- The capital/liability relation, foreign exchange rate risk and other financial risk factors which may directly impact the financial standing of the Company are controlled on a weekly/monthly basis by relevant business units.
- The "Collateral - Risk Management System" is used to monitor customer risks, whereby, in the event of any excess of limits defined in respect of purchases by customers, our systems deny goods issue in relation to such purchases.
- The SAP system employed by the Company is an important technological instrument that enables the minimization of the existing risks and supporting of decision-making support processes. The system enables the instantaneous monitoring of the operating results and the elimination of human errors, and also the improvement of the efficiency of the internal control systems.
- The company assets are insured against natural risks including fire, earthquake and etc. Insurance transactions are processed by competent brokers and in compliance with the real values of the assets.

The "Audit Department" is responsible for the creation and implementation of the systems necessary for accounting, internal control, risk management and financial planning. The department ensures the compatibility and proficiency of the systems, and defines the internal powers and liabilities.



The Audit Department, while fulfilling its duty in this respect, utilizes the findings of the institutions which carry out the ratification process as a part of the independent audit and certified public accountant services.

The Audit Department regularly reviews the risk management and internal control system of the Company within the framework of the risk-based annual audit plan prepared thereby in order to achieve the following goals, and reports findings derived thereby directly to the Board of Directors, and submits the facts found and the proposals developed thereby to the Board of Directors in the form of a written report:

- Accuracy and reliability of the financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding Company's assets
- Ensuring compliance with applicable laws, acts, codes, regulations and contracts

The Audit function checks the effectiveness of internal control systems, and sets forth proposals for the improvement of the existing systems and the establishment of new systems where such is determined to be necessary.

19. Strategic Goals of the Company

The vision of the Company has been determined "to become the best-loved brand, the most credible entity and the leading company in the dairy industry", and the mission of the Company has been determined "to manage and improve the milk value chain from the farm to the tables and the resources entrusted to us with the passion to expand the goodness and blessing of milk, and to deliver the individuals natural and zestful dairy products that improve their life quality and bring them health and happiness".

The Board of Directors establishes the Company's long term strategy and goals on the basis of the aforesaid vision and mission.

The Board of Directors manages and represents the Company by way of maintaining the risk, growth and yield balance of the Company at the most appropriate level through the strategic decisions made thereby and observing the long term interests of the Company in priority through its prudent risk management approach.

At the meetings of the Board of Directors and the senior management meetings, the goals of the Company as well as the activities conducted for the achievement of such goals are monitored by comparison to the past performances, and the performance of the management is supervised. Furthermore, the industry, in which the Company operates, and the Company's position in the industry as well as the then current standing of the Company are reviewed, and new goals are set and new strategies are developed as and where considered necessary.

20. Financial Rights

The remunerations paid to the Members of the Board of Directors and the Senior Executives in accordance with the Remuneration Policy are assessed by the Corporate Governance Committee and the Board of Directors on an annual basis. The remunerations paid to the Members of the Board of Directors and the Senior Executives are disclosed to the public in a consolidated manner within the notes to the financial statements prepared by the Company.

Any such action as lending monies or extension of loans to or placement of guarantees for the benefit of any Member of the Board of Directors or any Senior Executive that could lead to conflict of interest is avoided.



**We Never Compromise on Naturalness
We Never Renounce Freshness
As We Have Always Done And Will Always Do**

