



BORUSAN MANNESMANN BORU SANAYİ ve TİCARET A.Ş.

and SUBSIDIARIES

January 1 – December 31, 2020

Board of Directors Annual Report



Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
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INDEPENDENT AUDITOR REPORT ON BOARD OF DIRECTORS' ANNUAL REPORT

To the General Assembly of Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi

1) Opinion

We have audited the annual report of Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi ("Company") and its subsidiaries ("Group") for the accounting period of 1 January 2020 - 31 December 2020.

According to our opinion, the consolidated financial information and Board of Directors' considerations regarding Group's condition contained in the board of directors annual report is consistent with the audited consolidated financial statements and information obtained through independent audit and reflects the truth in terms of all material aspects.

2) Basis of Opinion

Our audit has been carried out in accordance with the Independent Audit Standards published by Capital Markets Board ("CMB"), and with Independent Audit Standards (IAS) that are part of Turkish Audit Standards published by the Public Supervision Accounting and Audit Standards Authority (KGK). Our responsibilities under these Standards have been explained in detail in the section entitled *Responsibilities of Independent Auditor regarding the Independent Audit of Annual Report*. We declare that we are independent from the Group in accordance with ethical provisions specified in *Ethical Rules for Independent Auditors* (Ethical Rules) published by KGK and legislation regarding independent audit. We have also fulfilled other responsibilities regarding ethics within the scope of the Ethical Rules and legislation. We believe that the independent audit evidence which we have obtained throughout the independent audit constitutes an adequate and appropriate basis for the development of our opinion.

3) Our Auditor's Opinion regarding the Full Set of Consolidated Financial Statements

We have delivered positive opinion in our auditor's report dated 5 March 2021 on the full set of financial statements regarding Group's accounting period from 1 January 2020 to 31 December 2020.

4) Responsibility of the Board of Directors Regarding Annual Report

Group management is responsible for followings with regards to annual reports pursuant to Art. 514 and 516 of Turkish Code of Commerce (TCC) no. 6102 and "Communiqué on Principles Regarding Financial Reporting in the Capital Market" ("Communiqué") no. II-14.1 of Capital Markets Board ("CMB"):

- It prepares annual report within first three months following date of balance sheet and submits it to general assembly.
- It prepares annual report to reflect the flow of business and operations and the financial position of the Group for the relevant year in a true, complete, direct, realistic and fair fashion in all respects. In this report, consolidated financial condition is evaluated according to financial statements. Additionally, report clearly shows the Group's development and risks it is likely to encounter. The report also includes board of directors' evaluation on these matters.



c) Annual report also contains following provisions:

- Events which took place in the Group after the end of the fiscal year,
- Research and development works of the Group,
- Financial benefits provided to the board members and senior managers such as fees, premiums, bonus, allowances, traveling, accommodation and representation expenses as well benefits in kind and in cash, insurances and similar guarantees.

Board of Directors take secondary legislative arrangements carried out by Ministry of Commerce and relevant authorities into account while preparing annual report.

5) Responsibility of Independent Auditor Regarding the Independent Audit of Annual Activity Report

Our objective is to express our opinion about whether consolidated financial information specified in annual report within the framework of TCC provisions and Communiqué and considerations of Board of Directors are consistent with Group's audited consolidated financial statements and reflect a fair picture of the truth and draw up a report including this opinion.

Our independent audit has been conducted in accordance with CMBs and the independent audit standards published by the Capital Markets Board. These standards require compliance with ethical provisions and planning and carrying out of independent audit to obtain a reasonable assurance as to whether or not consolidated financial information contained in the annual report and considerations of Board of Directors are consistent with consolidated financial statements and information obtained through audit and reflect the truth.

Zeynep Okuyan Özdemir is the responsible auditor who carried out and concluded this independent audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited
[Signature]
Zeynep Okuyan Özdemir, CPA
Responsible Auditor

March 5, 2021

Our Vision

Being a World-Renowned, Leader Steel Pipe Company



Our Mission

Offering Products and Services Rising Life Quality, Elevating Community's Economic and Social Development to Higher Levels, Specializing in Steel Pipe Industry

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I. INTRODUCTION

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiaries (hereinafter collectively referred to as the "Group") are engaged in the production and sale of longitudinally and spiral welded steel pipes. The Company's stocks have been traded on the Istanbul Stock Exchange since 1994. The company is registered in Turkey.

Registered Address is : Meclisi Mebusan Caddesi No: 35-37
34427 Fındıklı - İstanbul

As at December 31, 2020, the consolidated Subsidiaries of the Company, the controlling interest of the Company in such Subsidiaries and their scope of activities are as follows:

Scope of Activities	Subsidiary	Final Ratio %
Holding	Borusan Mannesmann Holding BV	100.0
Steel Pipe	Borusan Mannesmann Pipe US Inc	100.0
Steel Pipe	Borusan Mannesmann Vobarno Tubi SPA	99.0
Engineering	Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş.(*)	0.0

(*) Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. merged with Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. in which it has 100% shareholding on November 30, 2020.

Holders of dividend share are not entitled to vote.

- 1. Report Period** : 01.01.2020 – 31.12.2020
- 2. Trade Name of the Corporation** : Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş.
Trade Registration Number : 69531
- 3. Members of the Board**

Pursuant to the Decision of the Ordinary General Assembly Meeting dated July 6, 2020, names of Members of the Board of Directors of our Company who will serve until the next Ordinary General Assembly Meeting to be held are listed below.

<u>Position</u>	<u>Name & Surname</u>
Chairman and Managing Director	Semih Özmen
Vice Chairman	Heinrich Clören
Member	Defne Kocabıyık Narter
Member	Alexander Eckhard Soboll
Member	Erkan Muharrem Kafadar
Independent Member	Ahmet Murat Selek
Independent Member	İbrahim Romano
Independent Member	Bülent Bozdoğan

There are no administrative and legal sanctions imposed on the Company and members of the management organ.

Limits of Authority

The Board of Directors is entitled to decide on all issues which are exclusively assigned to the General Assembly Meeting under the Turkish Commercial Code and provisions of Articles of Association.

4. Managerial Staff

The senior management of the Company with executive duties is composed of the following titles, functions and persons.

	Position	Name & Surname	Year of Service with the Company	Work Experience	Profession
1.	General Manager,	Zafer Atabey	29 years	29 years	Economist
2.	Assistant General Manager, Construction and General Industry Segment	Oğuzhan Kuşçuoğlu	15 years	18 years	Economist
3.	Assistant General Manager, Automotive and White Appliances Segment	Ali Okyay	20 years	20 years	Industrial Engineer
4.	Assistant General Manager, Infrastructure Project Segment	Uğur Onbaşı	21 years	23 years	International Relations
5.	Assistant General Manager, Financial Affairs and Foreign Trade Operation	Mehtap Anık Zorbozan	3 years	28 years	Industrial Engineer
6.	Assistant General Manager, Digital Technologies	Muammer Kızılaslan	1 year	15 years	Economy and Computer Sciences
7.	Assistant General Manager, Human Resources and Corporate Communication	Fırat Akkemik	25 years	28 years	Operating Engineer

5. Employees

As of 31 December 2020, the distribution of employees of the Group is as follows:

	Türkiye	ABD	İtalya	Toplam
Beyaz Yaka	254	40	20	314
Mavi yaka	1,158	109	61	1,328
Altışveren	335	0	0	335
Toplam	1,747	149	81	1,977

6. Capital increases during the period

The Company's capital is TRY 141,750,000. There were no capital increases during the period.

7. Securities issued within the period

No securities were issued during the period.

8. Amendments to Articles of Association during the Period

None

9. Shareholders

Trade Name / Address of the Shareholder	Amount of Shares	Ratio (%)
1) Borusan Mannesmann Boru Yatırım Holding A.Ş.	TRY 104,157,266	73.48
2) Lumbro Corporate Services Limited	TRY 9,450,000	6.67
3) Publicly Traded and Other	TRY 28,142,734	19.85
Total	TRY 141,750,000	100.00

No change took place in shares of shareholders during the period.

The company's related party transactions and the obligations arising from such transactions are presented in consolidated financial statements and footnotes for the period. (Foot note 37: Related Party Disclosures) Our Company has taken an appropriate counter-action in each transaction.

10. Payments to the Senior Management Staff

Remunerations of members of the Board of Directors are set by the General Assembly. The General Assembly determines the remuneration payable to members who are independent and are not independent in accordance with the Capital Markets legislation.

Financial benefits to members of the Board of Directors are categorized under two headings as fixed and variable. The first one of these is a fixed payment, i.e. attendance fee. The variable fee is the dividend distributed from profits of the period at a rate the ceiling of which is determined in the articles of association and is subject to approval of the Board of Directors. No board of directors dividend is paid to independent members of the board of directors.

Senior managers are paid performance-based bonuses, incentives, etc. These fees are determined taking into account current potential risks, capital and liquidity condition as well as possibility of realization of revenues planned to be generated in the future and in a manner not to impair the equity capital. While senior managers can be paid performance-based incentives, care is taken to ensure that such payments have a positive impact on the Company's corporate values.

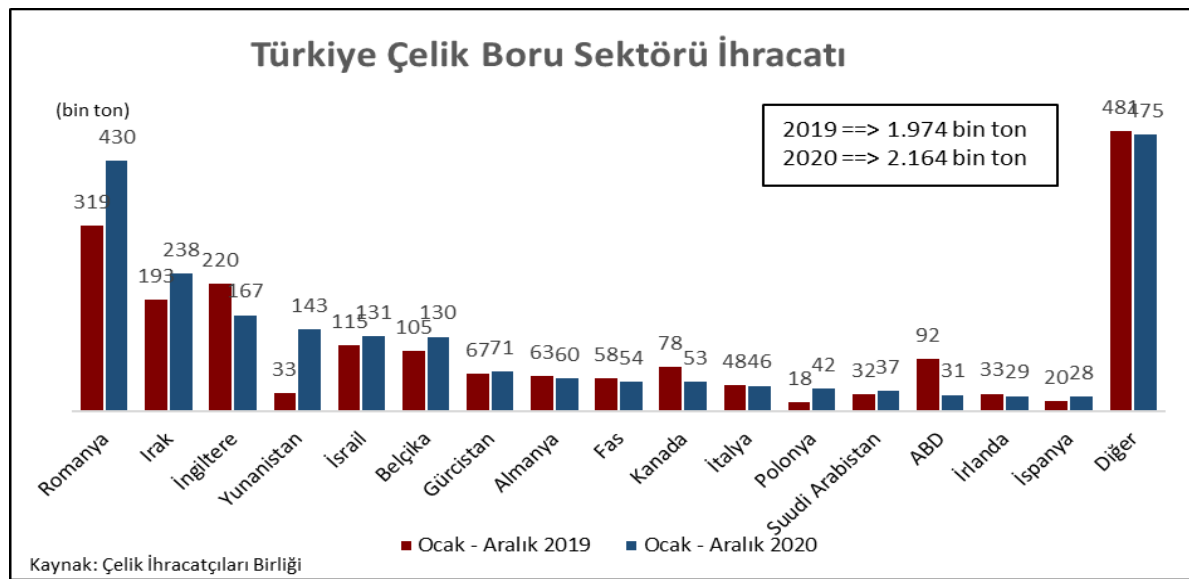
While any member of the board of directors and any senior manager is not given any security like a debt or surety, they are not offered any loan or personal loan through the mediation of a third party.

Payments to senior management staff for the year ended 31.12.2020 are presented in the financial statements and footnotes. (Foot note 37: Related Party Disclosures)

II. AN EVALUATION OF OPERATIONS

General Evaluation of Steel Pipe Sector

During the year 2020 when economic and political developments as well as developments related to Covid-19 pandemic continued to be decisive, export of the Turkish steel pipe industry increased by 9.6% year over year, with the 2.2M ton level, despite the ongoing negative developments in prominent export markets. The total amount of exports realized in this period decreasing by 5.2% in value compared to the previous year and declined to \$1.5 billion. Steel pipe exports, which made a good start to 2020 with the export figure in January, declined significantly in February, March, April and May due to the negative effects of the Covid-19 epidemic, which increased its effect in our country in the second half of March. The export tonnage realized in these four months decreased by 24.0% compared to the same period of the previous year. The recovery that started in export figures in June continued until the end of the year. During this period, exports increased by 18.9% compared to the same period of the previous year.



Despite the ongoing political uncertainties and the Covid-19 pandemic in Iraq, which is one of the important export markets of the Turkish steel pipe industry, exports to this country in 2020 increased by 23.5% compared to the previous year. With this increase, Iraq became the second country with the highest exports in 2020. Exports to Romania, on the other hand, increased by 34.9% compared to the previous year, making this country the country with the highest exports in total steel pipe exports. Romania was followed by Iraq, England, Greece and Israel, respectively. Share of these five countries within total export amount is 51.2%. Owing to effect of protectionist approaches going on in the USA, export to the said country dropped in 2020 to a great extent.

The sector's exports to the European Union region increased by 17.9% in 2020 compared to the previous year, reaching the level of 1.2 million tons, maintaining its leadership in the regions. The countries to which the sector exports the most in this region were Romania, UK, Greece, Belgium and Germany, respectively. Sum of export to these five countries corresponds to 42.9% of the total export. Exports to the North America region, on the other hand, decreased by 50.7% compared to the previous year and decreased to 84 thousand tons. Drop in the export to the said region was mostly due to the decrease in the export to the USA. The export to the Near East, Middle East and Asian countries increased by 19.3% and increased to 498K tons.

3. Borusan Mannesmann Boru

Established in 1958 and recognized as the most-rooted company of the industry, Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş., (BMB) has pioneered the development of the industry in Turkey, thanks to its more-than-60-year experience. BMB is continuing its activities in Turkey with a production capacity of approximately 1.1 million tons, including 750,000 tons of longitudinally welded and 300,000 tons spiral welded steel pipes. In addition to the installed capacity in Turkey, the production capacity of the Vobarno (Italy) factory that serves the European automotive industry is about 28,000 tons a year.

Borusan Mannesmann Pipe US Inc. (BMP), a subsidiary of BMB', situated in Baytown city of Texas state in the US, began manufacturing operations in third quarter of 2014 in the 300,000 ton-capacity production facility of well and drill pipes used in petroleum and natural gas drilling. With this investment, our company became one of leading producers of Europe in terms of sales volume and production capacity as well as a Turkish firm with a production facility in the USA.

Aiming at making a difference by offering the highest quality products to customers in the US drill pipe market, where a fierce competition takes place, our company has reached its high quality production target in the shortest time possible with its state-of-the-art technology equipment. At this facility, BMP is able to produce high quality pipes conforming to API standards.

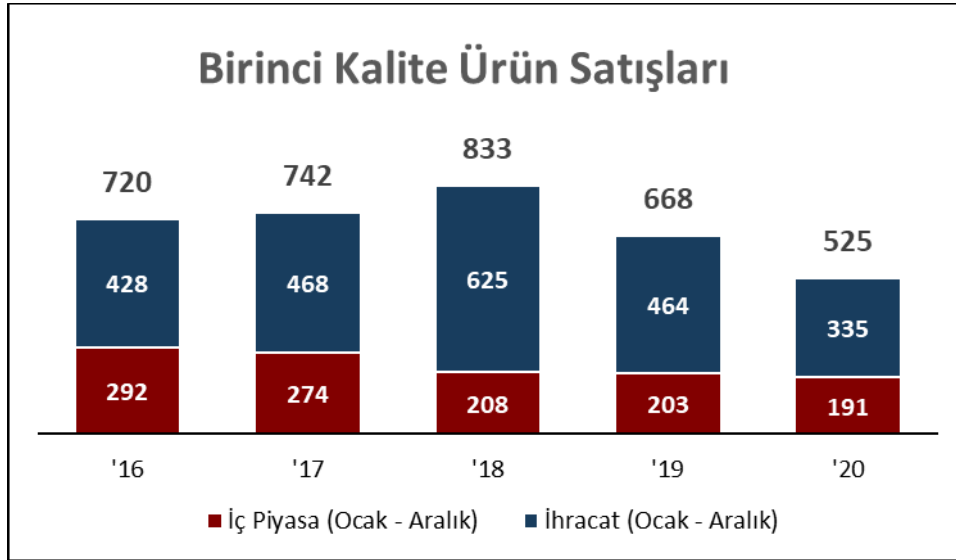
At this new production facility having the most advanced technologies in each step of the production and the flexibility to produce products according to any demand that may be received from customers, BMP aims to be recognized as a local and important player in US drill pipe market, leveraging also BMB's long-years of knowledge and experience.

The revival of demand in the sector with the recovery in oil prices in 2017 allowed the market to rise up to 5 million tons. This recovery trend continued in 2018, due to restriction import following the Section 232 decision, prices increased and, further, the market size increased to the level of 6 million tons again. With the first quarter of 2020, the declines in oil prices and the weak outlook suddenly frozen the demand in the US drilling and well pipe market, a rapid decline was observed in the number of wells and fell to the lowest numbers in its history. The low oil prices and the uncertainty environment in 2020 had a negative impact on the market. We're making every effort to suffer the least damage from such market conditions which also affect our company's sales of drill pipes directed to the US market, not only local sales in the USA.

Our company maintains its leading position in the sector in the high value added steel pipes produced for the automotive industry and maintains this position in 2020 as well. According to the Automotive Industry Association (OSD) data, in the January-December period of 2020, total production in Turkey decreased by 11% and automobile production by 13% compared to the same period of the previous year. During this period, total production was 1 million 297 thousand 854 units and automobile production was 855 thousand 43 units. According to the data compiled from the European automobile market assessment report, according to the total market including the European Union (EU-26) and European Free Trade Association (EFTA) countries and the UK, the automotive market in the twelve months of this year is 23.6% in 2020. decreased and realized at the level of 14,086,918 units. In 2019, a total of 18,443,305 units were sold. Despite all of the aforesaid adversities, we continue our efforts to make our mark with the quality products and services we offer.

The spiral pipe market, however, is going through the most distressed times due to protectionist measures in effect despite the high demand environment in the USA. The fact that tax applied to Turkey increased to 50% from August 2018 to May 2019 concerns customers in terms of risks it involves despite subsequent decrease of such rate to 25%,

whereas opportunities for export are being restricted by the fact that 25% tax requirement has been introduced for sales above the quota in Europe. Although profitable sales were realized in the first half of the year, no profit could be made in the second half due to the tax exposure due to the quota on the sales already ordered.



In 2020;

- Our first quality product sales tonnage decreased by approximately 21% compared to the previous year and decreased to 525 thousand tons. The negative effect of Covid-19 on our sales was the decisive factor in this development.
- By directing approximately 64% of the total first quality sales tonnage to global markets, we continued to grow globally.
- Turnover from the sale of pipes with high added-value, notably, pressurized, special and spiral pipes, accounted for 74% of total turnover from first quality product sales.
- Turnover from the sale of drill and well pipes with high added-value accounted for 31% of total first-quality turnover.
- Our sales tonnage of spiral welded pipes with high added value has increased by 4% compared to the previous year, and the share of the turnover obtained from the sales of these pipes in the total first-quality product turnover was around 13%.
- Steel pipe sales to the automotive industry lagged behind the previous year to a certain extent due to both slowdown in the domestic market demand and recession in the European market. Turnover derived from the said industry during 2020 accounted for 21% of the total first quality sales turnover.
- Turnover from innovation reached up to 20% of the company's consolidated first quality sales turnover. The majority of Lean 6 Sigma projects realized during the year were projects that directly touch the customer, develop products and services and ensure customer satisfaction and loyalty.
- Delivery of the pipeline of Gulf Coast Express pipeline project, which had been announced publicly by our company on February 8, 2018, was completed on time and successfully in accordance with the terms of the contract. Although the process regarding our customer's application for exemption concerning the additional Section 232 taxes that were announced after the contract date of the project and entered into force on March 23, 2018 with the "US Presidential Order" to the U.S. Department of Commerce is still ongoing and the contract terms clearly state that taxes will be separately invoiced to the buyer, our client brought the matter to trial in the Texas Federal Courts on January 28, 2020, with demand to determine to whom the tax liability belongs. On the other hand, our company has been involved in 4 separate lawsuits

filed against the U.S. Department of Commerce, both regarding the compliance of Section 232 taxes with the constitution and the decision process in exceptions.

- The US Court of International Trade ruled that it is illegal to increase taxes from 25% to 50% for only one country and additional taxes collected at the rate of 25% be refunded as part of the "Transpacific Steel LLC v. United States", one of 4 legal actions to which we are a part, on July 14. The total amount that our company and its subsidiary company Borusan Mannesmann Pipe Inc. established in the USA will generate income from the US customs authority is approximately 14 million US Dollars. The other party both appealed the decision and requested a stay of execution. Since the decision for stay of execution was not accepted by the court, the Ministry of Commerce started to refund the relevant taxes without waiting for the result of the appeal, and as of March 4, 2021, 11.7 million USD was collected. In the lawsuit filed against our subsidiary Borusan Mannesmann Pipe, which is the rejection of the exemption application for the import of OCTG raw pipes from Turkey, an agreement has been reached with the US government, without prejudice to our rights arising from the aforementioned "Transpacific Steel LLC v. United States" case.
- MESS notified our company that Group Collective Labor Agreement Memorandum of Understanding covering the period of 01.09.2019 and 31.08.2021 was signed between Turkish Employers Association of Metal Industries (MESS), the union of employers in the metal business segment, of which our company is a member, and Turkish Metal Union.
- We have reviewed and renewed our Business Sustainability and Risk plans within scope of Covid-19 disease, which was classified by WHO as a pandemic as of March 11 and spread of which is at a high speed in our country according to the recent statements of T.R. Ministry of Health. We are implementing the highest level of hygiene protocol at both offices and production sites and taking physical measures that will increase our social distance. In this context, telecommuting was launched for our office employees normally working at our Turkey offices who are eligible for telecommuting. At plants' production sections in Turkey, we shifted to alternate working model in order to increase the social distance and carry on the production with minimum number of employees. An application has been filed with regards to items included in the Presidential Economic Stability Shield Package for which our company is eligible and the production was paused at our Gemlik Spiral Welded Pipe plant from 1 to 13 April, 2020. At the said production plant, production was resumed, as from April 13, 2020, with minimum number of employees.
- Given the rise in Covid-19 cases in the province of Istanbul, the production was paused at Istanbul Halkalı plant from 3 to 13 April, 2020 as a precaution. At Halkalı plant, production was resumed, as from April 13, 2020, with minimum number of employees. As a result of our new working arrangements, our operations continue (planning, production, shipment, etc.) at high standards as usual.
- For the purpose of carrying on our operation uninterruptedly, we continue to take all necessary measures in a manner consistent with all the national legislation. Our BM Vobarno Italy plant discontinued the production prior to the decision of the Italian government to pause the production. The decision of the Italian government to discontinue all nationwide production operations was extended until May 3, 2020. Our BM Pipe US Houston/Texas plant continues the product with minimum number of employees within framework of alternate working model since it is positioned as a strategically important facility as per the US laws. All safety measures have been taken at this facility in accordance with the protocol.
- Pursuant to article 134 et seq. of Turkish Commercial Code no. 6102 ("TCC"); articles 18, 19 and 20 of the Corporate Tax Law no. 5520 ("CTL"), and since our Company is a company subject to the Capital Market Law no. 6362 ("CML") and its shares are publicly offered and traded on Borsa İstanbul A.Ş. "Exchange", to article 23 and other relevant provisions of the CML, and provisions of "Merger and Division Communiqué"

(II-23.2) of the Capital Market Board ("CMB"), and to other relevant legislation provisions; to merge within the body of our Company through acquisition by our Company of our direct subsidiary Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat Anonim Şirketi, capital of which has been contributed to at the rate of 100% by our Company, as a whole with its all assets and liabilities ("Merger Transaction"). It was realized on 30 November 2020 with the approval of the CMB.

- The company carried out no legal proceeding with Borusan Holding or a company affiliated it, or for its benefit or for the benefit of a company affiliated with it upon its instruction, and there are no measures taken or avoided in favor of Borusan Holding or a company affiliated with it.
- The group continued to fund its business and investment activities during the period of January - December 2020 through external resources as well as the equity created by it.

Post-Balance Sheet Events

As explained above, USD 11.7 million has been collected from the relevant case as of March 4, 2021.

Research & Development

Sales in the new product and service group accounted for 20% of our consolidated turnover from the first quality products in 2020. In terms of sales tonnage, this figure corresponds to 17% of our total sales of first quality products.

Owing to improvement investments in drill pipe production and new products with added value so developed, we have started producing pipes with larger diameters and higher quality and ullage rates decreased significantly. A great majority of total new product sales in 2020 was attained in drill pipes with high added value.

In the automotive segment, sales accounted for 10% of total new product sales tonnage in 2020.

With Borusan Holding innovation initiative, organizational flexibility has been achieved in domestic market new product sales. Therefore, it is aimed to maintain continuity in finding new products as well as to improve the sale of new products developed via marketing innovations.

Investments

Our investment for production of high value-added pipe which focuses on automotive segment, which was announced at the public disclosure platform on January 9, 2018, was substantially completed and the production was started. The total amount of investment for the period is TRY 167,245,264. No incentive was used within scope of these investments.

Capital Market Instruments

No capital market instrument was issued during the period.

Internal Control and Audit

Our company is periodically audited by the Internal Audit Management operating under the Chairman of the Board of Borusan Holding A.Ş. Findings of these audits are shared with relevant departments, Members of the Company's Board of Directors and senior management as well as with members of the Holding's Board of Directors. Action plans and commitments determined on the basis of such findings are followed up by the internal audit unit.

Additionally, the internal control unit of our company established on 17.12.2012 carries out control-based supervision activities with a focus on risks on a Company and process basis. The Company's internal control unit shares its reports with Chief Executive Officer and the Executive Board. The Company's internal control unit contributes to the finding follow-up process in relation to issues identified by Borusan Holding Audit Department as well as in relation to its own findings.

The operation, effectiveness and procedures of our Company's internal control systems, authorities and responsibilities of our employees are followed up by the Board of Directors and senior managers, are coordinated by our internal control expert, and are inspected in the scope of internal audit efforts on a periodic basis.

The Company has not been subject to any special audit and public audit within the period.

4. Borusan Mannesmann Vobarno

Borusan Mannesmann Vobarno Tubi SPA, based in Vobarno region of Italy, has specialized on high value-added cold rolled special pipe production with a production capacity of 28,000 tons per annum. It has been a recognized producer in Europe both in terms of the quality of its products and services through its sales to countries like Italy, Germany, Spain and France, which have a strong automotive industry. Established on a closed area of approximately 24,000 m², the Company has 85 employees. Our BM Vobarno Italy plant, after pausing its production in late March, prior to the decision of the Italian government to suspend the production, resumed the production in early May.

5. Borusan Mühendislik

Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş., which has been running its operations in its plant located in Gemlik district of Bursa since 1978, where we hold a 97.19 stake, was rendering machinery and equipment production, investment projecting and implementation services to companies operating in the iron-steel industry on a total area of 21,000 m², including an indoor area of 10,630 m² and an outdoor area of 10,370 m², in addition to investment projects, was supporting its customers by rendering repair and maintenance services, designing and producing spare parts required by such customers. Since, owing to R&D and digitalization studies which have been maintained consistently within the Borusan group for years, group companies have gained the capacity to solve their technology and technological equipment needs with their own technical knowledge and skills, it was decided to remove operations of this company which mostly served group companies from present and future strategic plans of Borusan Group. In line with this decision, it was decided to stop Borusan Mühendislik's operations in 2019, and Borusan Mühendislik started to be classified as "the assets held for sale and discontinued operations" under TFRS 5 **Assets Held for Sale and Discontinued Operations Standard** starting from 2019.

With the decision taken in 2020, it has been decided to merge all assets and liabilities of **Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat Anonim Şirketi** as a whole by "taking over" by Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. With the approval of the Capital Markets Board regarding the merger transaction, the merger was realized on **November 30, 2020**.

6. Borusan Mannesmann Pipe US

Borusan Mannesmann Pipe US Inc., residing in the USA, continues its production and sales operations at the production facility built with a total investment expenditure of US\$ 150 million. The facility having a production capacity of 300,000 tons per year produces drilling pipes used for extraction of natural gas and oil. The plant that won the "Technology Supplier of the Year" award within scope of "Steel Excellence Awards" given by American Metal Market for 2014 and "The Best Pipe Producer" award in 2016, 2017 and 2020 has a total area of 500.000 m² and carries on its operations with 268 employees.

7. Donations and Aids

- Donation Policy

Donations and supports can be given to foundations, associations, educational institution, public entities and institutions that are engaged with social, cultural, educational purposes, etc. in accordance with the principles laid down by the Capital Markets Board and the Turkish Commercial Code subject to the Management's approval. In choosing the type and amount of the donation, and the entity, institution or Non-governmental Organization to which the donation will be given, Borusan's corporate social responsibility policies are followed. Aside from these, the company may donate and support foundation, associations, and similar organizations which have been founded to act in relation to the Company's scope of activities.

While making a donation and aid, care is taken to ensure that the beneficiary is among foundations and associations for which the Ministry of Finance grants tax exemption.

Detailed information is provided to shareholders about donations and supports made during the Ordinary General Assembly Meeting of the relevant year.

Donations and Aids Made

In January-December 2020, the Company continued to provide support to various philanthropic organizations and foundations with social responsibility awareness. Donations and supports made in the said period are listed below.

1 Ocak 2020 - 31 Aralık 2020 (TL)

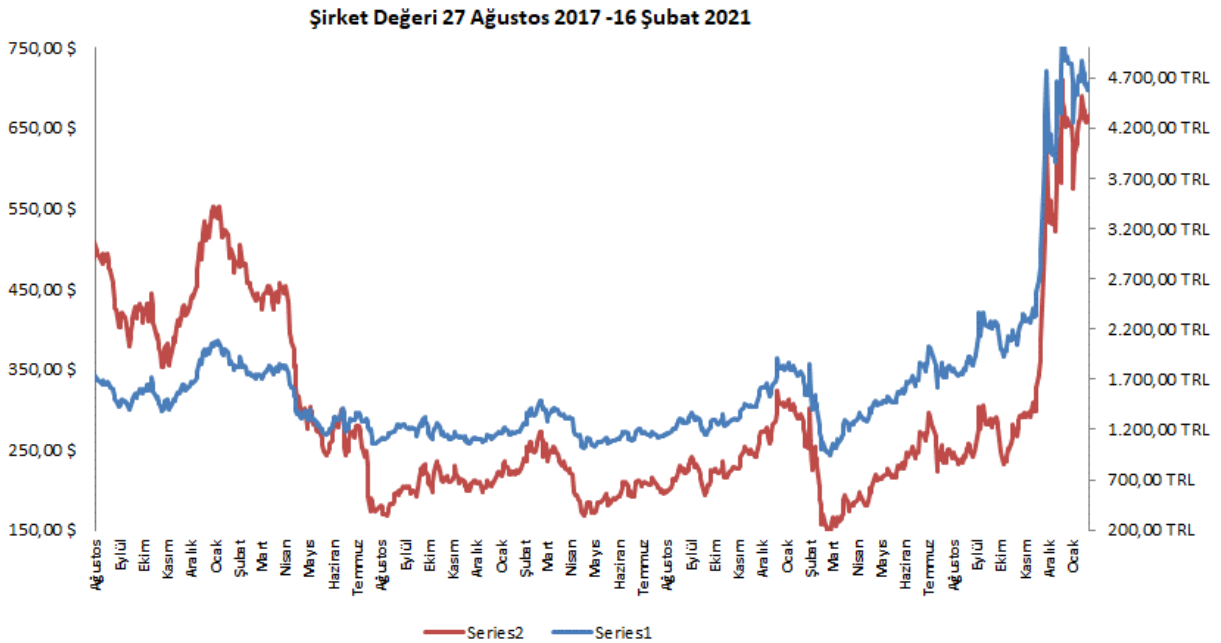
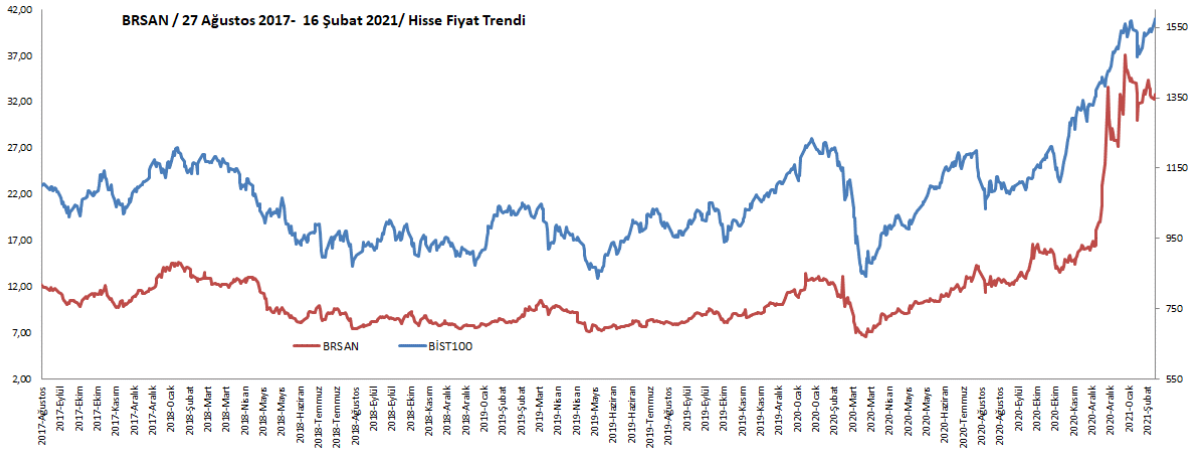
Borusan Kocabıyık Vakfı	2,303,275
Bizbize Yeteriz Kampanyası	1,000,000
Askıda Eğitim Var Kampanyası	91,900
Türkiye Eğitim Vakfı	24,200
Gemlik Yelken Kulübü	20,000
Profesyonel İş Kadınları Derneği	15,000
Gemlik Basketbol Kulübü	10,000
Kızılay	5,000
Diğer	43,959
Toplam	3,513,334

8. Development of stock prices

Our shares that closed the first session of 2020 at TRY 11.67 recorded the highest session closing value at TRY 37.08 and the lowest at TRY 6.60 in the period between January 2, 2020 and February 16, 2021. During the same period, BIST-100 index depreciated by 36%, whereas our stock appreciated by 181%. While BIST-100 index appreciated by 77% since early 2019, our stock recorded a value gain of 324%.

According to the closing value on 16 February 2021, the market value of our company is TRY 4.66 Billion.

The historical development and market variations of the company's stock are shown in the graphs below.



Dividend Rates by Years

Dividends distributed to group A and B shareholders and paid-in capital ratios are as follows:

Year	Dividend (TRY)	Rate (%)
2002	8,127,000	45.10 (net 40.60)
2003	4,063,500	21.50 (net 19.35)
2004	25,515,000	90.00 (net 81.00)
2005	12,615,750	44.50 (net 40.05)
2006	26,649,000	94.00 (net 79.90)
2007	22,963,500	81.00 (net 68.85)
2008	-	-
2009	6,401,430	22.58 (net 19.19)
2010	-	-
2011	32,319,000	114.00 (net 96.90)
2012	30,051,000	106.00 (net 90.10)
2013	18,427,500	13.00 (net 11.05)
2014	19,703,250	13.90 (net 11.82)
2015	19,845,000	14.00 (net 11.90)
2016	84,341,250	59.50 (net 50.5750)
2017	87,176,250	61.50 (net 52.2790)
2018	116,235,000	82.00 (net 69.70)
2019	-	-
2020	-	-

III. INFORMATION ABOUT FINANCIAL STRUCTURE

		<u>Aralık 2020</u>	<u>Aralık 2019</u>
Cari Oran (katsayı)	$\frac{\text{Dönen Varlıklar}}{\text{Kısa Vadeli Borçlar}}$	0.99	1.03
Likidite Oranı (katsayı)	$\frac{\text{Dönen Varlıklar} - \text{Stoklar}}{\text{Kısa Vadeli Borçlar}}$	0.62	0.61
Stok Devir Hızı (katsayı)	$\frac{\text{Satışların Maliyeti}}{\text{Stoklar}}$	2.92	3.43
İşletme Sermayesi Kullanımı	$\frac{\text{Stoklar} + \text{Ticari Alacaklar}}{\text{Net Satışlar}}$	54%	38%
Özkaynak Kullanım Oranı	$\frac{\text{Özsermaye}}{\text{Toplam Kaynaklar} - \text{Nakit}}$	49%	7%
Karlılık Oranı	$\frac{\text{Net Dönem Karı}}{\text{Net Satışlar}}$	(0.29%)	1.44%
Aktif Verimliliği	$\frac{\text{Net Dönem Karı}}{\text{Aktif Toplamı}}$	(0.13%)	0.95%
VFAÖK (TL)		396,487,955	440,795,521
VFAÖK Marjı	$\frac{\text{VFAÖK}}{\text{Net Satışlar}}$	10.6%	9.6%

Not 1: Vergi Faiz Amortisman Öncesi Kar (TL) Hesaplaması	Aralık 2020	Aralık 2019
Faaliyet Karı / (Zararı)*	179,758,370	267,665,247
Amortisman Giderleri	211,446,332	168,121,050
Satışların Maliyeti içinde	177,664,053	129,133,003
Pazarlama, Satış ve Dağıtım Giderleri içinde	12,791,723	10,957,317
Genel Yönetim Giderleri içinde	20,990,556	26,340,105
Durdurulan faaliyet içinde	0	1,690,625
Kıdem Tazminatı Karşılığı Dönem Gideri / (Geliri)	5,283,253	5,009,224
Vergi Faiz Amortisman Öncesi Kar (TL)	396,487,955	440,795,521

* Operating Profit/(Loss) prior to Financing Expense includes discontinued operation loss and the dividend income shown under financial income.

a) Analysis and assessment of the board regarding the financial status and operation results, degree of realization of the planned operations, the company's status in terms of set strategic goals:

Financial results of our company for the period of 01.01.2020 – 31.12.2020 are shared with the public, through the financial report, at the same time as this report.

b) Information that may give an idea about yearly sales, efficiency, income generation capacity, profitability and debt/equity ratio of the company in comparison to previous years and results of the company operations and expectations for the future:

The company's gross sales profit is TRY 345,734,886 as of 31.12.2020. The company's net debt / equity ratio is 58% for the period of 01.01.2020–31.12.2020. It is not estimated that the company will be exposed to an income risk.

c) Evaluations and determinations of the managing body as to whether the capital of the company is sufficient or insolvent or not:

The company is not insolvent according to evaluations conducted in accordance with article 376 of the Turkish Commercial Code.

ç) Measures considered to be taken for improving the financial structure of the Company, if any:

Since the company's financial and capital structure is strong, it is not planned to take any measure with a view to improving its financial structure.

IV. REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Declaration for Compliance with Principles of Corporate Governance

In the fiscal year January 1 – December 31, 2020, our Company complied with certain criteria laid down in the Corporate Governance Principles published by the Capital Markets Board, and reviewed its articles of association with regard to compliance with procedures and practices within the period, identified those areas where full compliance was not achieved, and carried out improvement efforts in such areas. The Company Management, in principle, has adopted to comply with practices laid down in the Corporate Governance Principles.

The Corporate Governance Compliance Report of our company for 2020 and the Corporate Governance Information Form, which includes up-to-date information on corporate governance practices in our company, are available at www.kap.org.tr.

PART I – SHAREHOLDERS

2. Shareholders Relations Unit

In our Company, the Financial Affairs Directorate is responsible for shareholder relations. The Finance and Investor Relations Department which reports to the above directorate has been defined as the unit responsible for relations with shareholders. Our shareholders can contact the said unit and communicate with our Company.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. – Investor Relations Contact Details

Financing and Investor Relations Director Bora Yüksel 0 212 393 57 58
E-Mail Address for Investor Relations bmb.investor@borusan.com

Finance and Investor Relations Unit Manager Ceren Cem 0 212 393 59 80
E-Mail Address for Investor Relations bmb.investor@borusan.com

29 Material Disclosures were prepared and announced for information sharing purposes during the period between 01.01.2020-31.12.2020 in accordance with Communiqués of the Capital Markets Board and ISE. The Company submitted Material Disclosures to shareholders through ISE and the public disclosure project. Such disclosures were made in a timely fashion, and no sanction was imposed by CMB or ISE.

Except for information activities laid down by the legislation, activities carried out in the scope of investor relations are mainly as follows;

- Press releases via printed and visual media
- Meetings and negotiations with investors and analysts
- Answers to requests for information received by phone and e-mail

Questions raised by individual investors or brokerage houses within the period were evaluated and answered within framework of "II-15.1. Communiqué on Material Events" as published on the Official Gazette dated 23.01.2014 and numbered 28891.

Information requests received by the Holding and Company Investor Relations Unit in relation to the Company via e-mails and telephones within the period can be categorized under following headings:

- a. The Company's investment plans and strategic targets
- b. Expectations on the development of steel prices and potential effects on our Company's performance
- c. Pipeline projects we took part in at home and abroad

- d. General assembly and profit distribution
- e. Company's activities and performance within the period
- f. Our foreign affiliates

Requests for information received under these headings by Company Investor Relations are first evaluated in accordance with the "Communiqué on Principles Governing Public Disclosure of Material Events" as published on the Official Gazette dated 23 January 2014 and numbered 28891. The Holding and Company Investor Relations Units determine frequently asked questions under headings in a coordinated effort, and provide standard answers and communicate uniform information to all shareholders. Answering questions in the shortest time period possible has been identified as a critical performance indicator.

3. Exercise of Shareholders' Right to Obtain Information

The Company's website (<http://www.borusanmannesmann.com/>) as well as Borusan Group's website (<http://www.borusan.com/>) were used to facilitate the exercise of the information and inspection rights by shareholders within the period. The Company's website has been designed to provide contents defined in the scope of the Company's "Public Disclosure Policy". In this framework, investors' access to corporate information about the Company is assured through the website.

The Company's articles of association do not include a provision regarding the request for assignment of a special auditor. No such request was received by the Company within the Period.

4. General Assembly Meetings

The Company organized 1 General Assembly meeting in the period.

The Company's Ordinary General Assembly for the year 2019 was held on 06.07.2020 with a meeting quorum of 74.37%. The notice for the meeting was announced along with the agenda as stipulated in the code and the articles of association via the Turkish Trade Registry Gazette, our company's website <http://www.borusanmannesmann.com/>, Public Disclosure Platform (KAP) as well as Electronic General Meeting System (EGKS) on 4.06.2020. Prior to the General Assembly, the Company's annual report including the agenda of the Ordinary General Assembly, summary of operations of 2019, summary of the auditor's report and the independent audit report were available at the Company's head office for review by shareholders. Shareholders exercised their rights to ask questions during expectations and demands session, and questions were answered by the Chairman of the Board of Directors of the Company. No agenda was proposed by shareholders. Minutes related to the said General Assembly are available for inspection by shareholders at the Company's head office after the General Assembly and at the Company's website as of 06.07.2020.

With the agenda of the General Assembly, the shareholders were informed of the amounts of donations and supports and beneficiaries thereof. No change was made in our donation and support policy which is posted on the website.

5. Voting Rights and Minority Rights

Pursuant to article 22 of the articles of association of the Company, there are preferences as to voting rights; thus, group A shares have 5 votes each at ordinary and extraordinary meetings without prejudice to the provision of Article 387 of TCC. The company does not have any mutual participation relationship. Minority interests are not represented in the management.

6. Dividend Right

There is no preference in respect of profit distribution in the articles of association other than rights vested in holders of dividend shares. Among the company's stocks, there are 100 pieces of bearer dividend shares. Holders of dividend shares are entitled to participate at ratio of 10% in the net distributable profit which remains after the general legal reserve fund and the first dividend are set aside as per article 7 of the articles of association.

Our company has a profit distribution policy which has been disclosed to public. Our profit distribution policy is available at our website. Accordingly, when our Company's retained earnings and dividend performance is analyzed, it appears that our Company has recorded profits even in the most distressed periods of economy and since 1994, the year we went public, we have distributed 50% or more of our net profit to our shareholders as dividend. It is aimed to continue such attitude in upcoming periods. Our Company's profit distribution policy for future years is to distribute 50% or above of the distributable profit as dividends. However, this policy is reviewed every year in line with internal and foreign economic developments, investment opportunities and financial capabilities of our Company, as in exceptional cases in years 2008, 2009, 2010 and 2019, for instance.

Every year, a profit distribution proposal prepared by the Board of Directors taking into account the financial position of the Company in accordance with the CMB regulations is presented to shareholders at the General Assembly for approval.

7. Transfer of Shares

The articles of association of our Company do not contain any provision restricting the transfer of shares.

8. Explanation Regarding the Company's Equity Capital

It is seen that equity capital of TRY 141,750,000 and paid-in capital of TRY 3,293,668,322 as at 31 December 2020 have been substantially retained.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

9. Information Policy

The public disclosure policy has been prepared in accordance with principles set forth in II-17.1 Corporate Governance Principles and has been announced to the public via the Company's website (<http://www.borusanmannesmann.com/>).

In this framework, our Company has established application principles, powers and responsibilities under following headings:

- Material disclosures
- Public disclosure of financial statements
- Public disclosure of interim and year-end annual reports
- Press releases via printed and visual media
- Meetings and negotiations with investors and analysts
- The Company's website
- Statement of expectations and targets
- Unfounded news circulated in the market
- Analyst reports

Our Company follows a transparent information policy in accordance with the Capital Markets Legislation to ensure that the Company's past performance, future expectations, business developments, strategies, targets and vision, except commercial secrets, are shared with authorized organs, public, investors and shareholders in a timely, concurrent, understandable, complete, accurate and uninterrupted fashion.

10. Disclosure of Individuals who are in a Position to Have Insider Information

Individuals who are in a position to have insider information are as follows;

Semih Özmen	Chairman and Executive Member of Board of Directors
Heinrich Clören	Vice Chairman of the Board of Directors
Defne Kocabıyık Narter	Member of the Board of Directors
Erkan Muharrem Kafadar	Member of the Board of Directors
Alexander Eckhard Soboll	Member of the Board of Directors
Ahmet Murat Selek	Member of the Board of Directors (Independent Member)
Bülent Bozdoğan	Member of the Board of Directors (Independent Member)
İbrahim Ramono	Member of the Board of Directors (Independent Member)
Zafer Atabey	Chief Executive Officer
Uğur Onbaşı	Member of the Executive Committee
Ali Okyay	Member of the Executive Committee
Oğuzhan Kuşcuoğlu	Member of the Executive Committee
Mehtap Anık Zorbozan	Member of the Executive Committee
Muammer Kızılaslan	Member of the Executive Committee
Fırat Akkemik	Member of the Executive Committee
Harun Aycibin	Accounting Manager
Dilek Tabak Tural	Financial Planning Control Manager
Bora Yüksel	Finance and Investor Relations Manager
Sinan Taracı	Financial Planning Control Analyst

11. Company's Website and its Content

Our company has a website which is accessible at <http://www.borusanmannesmann.com/>.

Our Company's website was awarded the third prize in the golden spider contest in production and industry category in June 2011. During the contest, design, content, characteristics, functionality, usability and compliance with standards, etc. were considered.

In addition to information available at the Company's corporate website, there is information at <http://www.borusan.com/> under Investor Relations heading in relation to the Group's publicly-traded companies. In this framework, such address contains information as are stipulated by the CMB Corporate Governance Principles about our Company.

It is possible to access general information in English about the company and year-end information at our website. Moreover, it is possible to access English versions of the articles of association, profit distribution policy, and information about members of the board of directors and senior management. However, documents including annual reports and general assembly results are published only in Turkish.

12. Annual Report

The corporate governance principles compliance report is an inseparable part of our Company's annual report. The information listed in the corporate governance principles is also given in our annual report.

PART III – STAKEHOLDERS

13. Informing the Stakeholders

Stakeholders are informed about issues which concern them in relation to the Company. E-mail, the Company's website and mail are used as means of information, and meetings are held with the group of relevant stakeholders in relation to much specific developments.

14. Participation of Stakeholders in Management

Among the stakeholders, employees can participate in the Company management through the recommendation system, whereas suppliers and customers may participate through the Lean 6 Sigma projects which are jointly-executed supra-organizational projects.

Our Company handles its relations with customers and suppliers in the framework of "Borusan Manual – Our Corporate Principles, Code of Business and Conduct" published by Borusan Group in 2002 which regulates relations of our group companies and employees with all corporate stakeholders (internal and external customers, suppliers, public, group companies, public management and laws).

Customer-orientation has been defined as one of corporate values of Borusan Group, and "being a reference company in Turkey in customer satisfaction and loyalty" has been described as a critical success factor. In achieving that critical success factor, Borusan Holding offers the Lean 6 Sigma methodology and an application thereof, i.e. "Managing Voice of the Customer", to companies as instruments. The quality of products and services offered to internal and external customers is always under the assurance and guarantee of Borusan Group. In order to assure complete customer satisfaction in the group, all employees have committed themselves to assume any duty on their part, including the Board of Directors.

In our Company we apply "Managing the voice of the customer" process that covers all functional processes aimed at achieving and improving customer satisfaction. In this framework, customer expectations and demands are addressed systematically and integrally, and efforts are used to satisfy customer expectations above current performance levels of business processes and products. The Lean 6 Sigma methodology is used to improve processes Company-wide. The quality of our products and work processes are guaranteed with national and international standards. The quality of the current management system of our Company has been approved in the scope of ISO 9001 certificate.

As with all corporate stakeholders, we aim to establish long-lasting, permanent and reliable relations with suppliers. We know the importance of mutual interaction to make permanent relationships, and desire that suppliers, who are seen as business partners, are economically satisfied with that relationship.

Other than these capabilities, there is no continuous model in the Company which has been established for the participation of stakeholders in management.

15. Human Resources Policy

In regard to human resource management, our Company acts in accordance with "Borusan Group Management Understanding and Practices" and "Business Principles, Business Ethics and Human Resource Practices" published by Borusan Holding for all group companies in 2002 and revised in 2012. The first document encompasses the corporate governance understanding, structure, operation, business principles and policies of Borusan Group. The latter document covers Borusan Group's main human resource policies and practices under subheadings such as business principles, application of ethic rules, stakeholder relations, recruitment, work order, remuneration, payments, employee duties and responsibilities.

In human resource practices, all group companies have to act in accordance with the following article in the "Borusan Group Management Understanding and Practices" document.

"Borusan Group believes in and supports personal rights and liberties everywhere it operates to the fullest extent. Accordingly, under no circumstances and conditions may any discrimination be made in our Group as regards ethnic origin, gender, color, race, nationality, economic status, religion and other belief. This also applies to recruitment and promotion, working conditions offered, and all our relations with customers, suppliers and shareholders. All Group companies are obliged to guarantee that the working conditions, products and services rendered are fit for human health and safety."

In addition, Human Resource Practices of the Group companies are implemented for two purposes set forth in the "Borusan Group Management Understanding and Practices" document. The first of these purposes is to encourage individuals to take initiative and account for their jobs and consequences of their actions, and the second is to foster teamwork, improve and encourage the individual to become more successful.

Responsibilities of the Company's human resource department includes handling of relationships with employees in regard to social benefits and assurances, union relations, performance, career management, remuneration and career development. In this scope, Firat Akkemik, Human Resources Assistant General Manager, and Zafer Atabey, General Director, have been authorized. No complaint has been received from employees in any issue, including discrimination, within the period.

16. Ethical Rules and Social Responsibility

"Borusan Group Management Understanding, Business Principles and Practices" prepared by Borusan Holding in 2002 for all group companies and employees covers ethic rules. <http://borusan.com/tr/hakkimizda/etik-kurallari-danisma-ve-bilgilendirme>

The document in question has been shared with all employees, and the company's ethic rules have not been announced to the public.

Social contribution is one of 5 main corporate values which are part of Borusan Group's vision and mission, and allocation of resources to social projects in group companies and dedication of a certain part of managers' and employees' time to non-governmental organization activities are an extension of the corporate governance approach.

In addition to activities in support of regional development such as the support given to bridge and school constructions, assistance to sports clubs and landscaping efforts in Bursa/Gemlik and Izmit regions where our Company's production facilities are located, our Company sponsors Borusan Kocabiyik Foundation and Borusan Istanbul Philharmonic Orchestra with part of its income every year. Employees are encouraged to take part in volunteer activities in the framework of Private Sector Volunteers Society.

Borusan Group also undertakes to realize its activities safely and in a manner not detrimental to the environment in proportion to the legal requirements of the business. With a view to protecting and keeping the environment clean, the Group deems it essential to:

- Use most appropriate methods to minimize negative effects of wastes and products on environment, to reduce use of natural resources,
- Comply with health, safety and environmental legislation in the production, transportation and marketing of the products and adopt higher standards beyond the legislation;
- Execute operations at the production facilities in a safe, environmentally-friendly manner, taking into account the social requirements of the locality and needs of employees,
- Use maximum efforts to raise awareness in employees, customers, suppliers and general public on environmental issues.

At our Company, Occupational Health and Safety practices and Environmental Protection practices have been approved under OHSAS 18001 and ISO 14001 documents.

Our Company sets forth management commitments in terms of environmental and occupational health via the "Occupational Health, Safety and Environment Policy" announced to the public through its website.

There is no lawsuit brought against our Company due to damage to environment during the period.

PART IV – BOARD OF DIRECTORS

17. Structure and Composition of the Board of Directors

Board of Directors	Title	Independence	Executive / Non-Executive
Semih Özmen	Chairman and Managing Director		Executive
Heinrich Clören	Vice Chairman		Non-Executive
Defne Kocabıyık Narter	Member		Non-Executive
Erkan Muharrem Kafadar	Member		Non-Executive
Alexander Eckhard Soboll	Member		Non-Executive
Ahmet Murat Selek	Member	Independent	Non-Executive
İbrahim Romano	Member	Independent	Non-Executive
Bülent Bozdoğan	Member	Independent	Non-Executive

Corporate governance principles includes the principle "a member is not supposed to have served as a board member for more than 6 years in the last decade at the Board of Directors."

Authorities and responsibilities of the board of directors and managers of the Company are set out in the articles of association with reference to provisions of TCC. On the other hand, each member of the Board of Directors, in addition to their permanent duties and responsibilities assigned to them considering their competencies and experience, has coordination duties in periodic projects which are part of the allocation of duties.

Members of our Board of Directors are professional pioneers of their own areas, and have been assigned to take a guiding role in projects executed by the Company with their experience and points of view in their respective areas.

For this reason, there is no rule or limitation regarding other duties which members of the Board of Directors may assume outside the Company, provided that such duties do not negatively impact their duties at the Company in terms of timing and focus.

Board of Directors	Duties Performed by the Representative Outside the Company
Semih Özmen	Borusan Group Companies Board Member Board Member of Borusan EnBW Enerji
Heinrich Clören	Senior Manager of Salzgitter Mannesmann Group Companies
Defne Kocabıyık Narter	Business Analyst of Borusan Makina ve Güç Sistemleri Caterpillar Borusan Group Companies Board Member Members of the Audit Committee Member of the Ethics Committee Chairman of the Executive Board of Borusan Group Companies
Erkan Muharrem Kafadar	Member of the Board of the Turkish Metal Industrialists' Union Member of the Disciplinary Board of the Turkish Employers' Unions Commission Member of the Executive Board of the Foreign Economic Relations Board President of the Turkish American Business Council Texas State Committee
Alexander Eckhard Soboll	Senior Manager of Salzgitter Mannesmann Group Companies
Ahmet Murat Selek	Board Member of Anadolu ISUZU Board Member of EMCC Turkey
İbrahim Romano	ÜNLÜ & Co. Corporate Finance Managing Director Member of the Board of Directors Member of the Executive Committee
Bülent Bozdoğan	Chairman of the Audit Committee of Borusan Group Companies

The chairman of the board of directors and the general manager are separate people. No situation that would void independence of independent members of the board of directors has emerged within the fiscal period. The declarations of independence of the relevant independent members have been published on the PDP. <https://www.kap.org.tr/tr/Bildirir/849086>

There is no prohibition imposed by the Company on members of the board of directors, and no such action has been taken.

18. Background Information of the Members of the Board of Directors

Semih Abidin Özmen – Chairman of the Board of Directors & Executive Member

Semih Abidin Özmen graduated from the Mechanical Engineering Department of Birmingham University in 1983 with undergraduate and graduate degrees. He completed his military service in Turkey and started to work in an automobile factory in Japan. Since 1988, he has been working within Borusan Mannesmann. He served as the Company's Supply Chain Manager, Vice President of Operations and Vice President of Automotive Pipes. He became the Chairman of the Executive Board (CEO) in 2011. During his office, he developed energy pipes for the North American market. He still continues his duties as Borusan Mannesmann Chairman of the Board, where he was elected in 2017, and Borusan EnBW Energy Board Member, where he was elected in 2019.

Heinrich Clören – Vice Chairman of the Board of Directors

After completing his education in the fields of law and commerce, Heinrich Clören started to work in the Sales department of Mannesmannröhren-Werke AG between 1988-1992. He continued his career in Mannesmann Hoesch GmbH company as Sales Team Leader and Department Manager during 1993-1997. Between 1998-2003, he served as the Director of the Purchasing Unit of Mannesmann Precision Tubes GmbH. Between 2003-2013, he worked as a manager in Robur Buizenfabriek production facility. Clören, who has been serving as Mannesmann Precision Tubes GmbH since 2012, is also the Vice Chairman of the Board of Borusan Mannesmann.

Defne Kocabiyık Narter – Member of the Board of Directors

Defne Kocabiyık Narter graduated from New York University, Department of Economics and Psychology in 2014 with a bachelor's degree. She completed her internships at Ralph Lauren, Borusan Otomotiv and Borusan Holding. Narter, who started her career in 2013 as Borusan Otomotiv - MINI Brand Manager Assistant, became a Business Development and Marketing Analyst at Borusan Mannesmann Pipe US in 2015. Between 2015-2019, she worked as Sales Manager at Borusan Mannesmann. She has been working as Borusan Makina ve Güç Sistemleri - Caterpillar Business Analyst since 2019. In addition, she is still a member of Borusan Holding Audit Department, Ethics Committee and Board of Directors.

Erkan Muharrem Kafadar – Group CEO & Member of the Board of Directors

Born in Istanbul in 1967, Erkan Kafadar joined the Borusan Group in 1991 as a trainee at Borusan Birleşik Boru Factories. During his 29-year business life in Borusan, Erkan Kafadar served as the General Manager of Borçelik for 9 years, after many roles in Sales, Marketing, Customer Technical Services and Purchasing in Borusan Entegre Boru Fabrikaları (Borusan Mannesmann Boru) and Borçelik. Kafadar, who served on Borusan Holding Executive and Steering Committees between 2015 and 2019, has been appointed as Borusan Holding Group CEO as of January 1, 2020.

Erkan Kafadar, in addition to his duty as Borusan Holding Group CEO, served as a Member of the Board of Directors in all operational companies of the Borusan group, Member of the Board of the Turkish Metal Industrialists' Union (MESS), a member of the Disciplinary Board of the Confederation of Turkish Employers' Unions (TİSK), a member of the Foreign Economic Relations Board (DEİK) Turkish-American Business Council (TAK) Executive Board, He is the Chairman of the Turkish-American Business Council (TAK) Texas State Committee.

Erkan Kafadar completed his secondary education in Istanbul Boys' High School and then graduated from Istanbul University Faculty of Business Administration. He speaks English and German, and he is married and has two daughters.

Alexander Eckhard Soboll – Member of the Board of Directors

After completing his education in the field of international trade, Alexander Eckhard Soboll started to work as Sales Representative at Preussag Handel GmbH between 1992-1994. Working as a Foreign Delegate in the company's China office in 1994-1995, Soboll served as the Company's Far East Asia Regional Manager from 1995 to 1998. Managing Director at Salzgitter Mannesmann Singapore Office between 1998-2008; Between 2008-2013, he worked as a Senior Unit Manager in Düsseldorf Office. Between 2014-2016, he continued his duty as the Managing Director of Sales in Continental Europe and the USA on behalf of

EUROPIPE GmbH. Since the end of 2016, he has been a Member of the Board of Salzgitter Mannesmann Handel GmbH, where he started his career. He is also a Member of the Board of Borusan Mannesmann.

Murat Selek – Independent Member of the Board of Directors

Murat Selek graduated from Boğaziçi University Mechanical Engineering Department in 1980 and graduated from Cornell University Mechanical Engineering Department in 1982 with a postgraduate degree. Between 1992-2003, he served as the Deputy General Manager of Tofaş Türk Otomobil Fabrikası A.Ş. He served as the General Manager of Otoyol Sanayi A.Ş. between 2003-2007. After serving as Chairman of the Executive Board and Managing Director at Karsan Otomotiv A.Ş. in the period of 2008-2016, he continued his duty as Advisor to the Chairman of the Board of Directors in the period of 2016-2017. Murat Selek is an Independent Board Member of Borusan Mannesmann.

İbrahim Romano – Independent Member of the Board of Directors

After graduating from Boğaziçi University, Department of Economics in 1992, İbrahim Romano received his master's degree from Istanbul University International Relations Department in 1993. Between 1994-1996, he worked as an Assistant Manager at Yatırım Bank. Romano, who worked as a Manager at Dundas Ünlü between 1996 and 2002, later became the head of Standard Ünlü's Corporate Finance Unit. İbrahim Romano is currently working as the Managing Director of ÜNLÜ & Co's Corporate Finance Unit. In addition, Romano, who is a member of the Executive Board responsible for Investment Banking Advisory, continues to be a Member of the Board of Directors of ÜNLÜ & Co. İbrahim Romano is an Independent Board Member of Borusan Mannesmann.

Bülent Bozdoğan – Independent Member of the Board of Directors

After graduating from METU Business Administration Department in 1980, Bülent Bozdoğan started to work as an auditor at PwC. From 1982 to 1991, he worked in various managerial positions in Unilever Turkey accounting and finance departments. He joined the Brisa company in 1991 and became the Assistant Manager of the Finance, Planning and Control Unit. Between 2001 and 2009, he served as the Assistant General Manager of Financial Affairs at the Sabancı – Du Pont joint venture, based in Wilmington, Delaware. Between 2009 and 2018, he served as the General Manager of Audit at Sabancı Holding. He retired at the age of 62 after 26 years of working life at Sabancı Holding. Between 2018-2019, he served as the Chairman of the Executive Board responsible for Mining and Tourism in Dedeman. Bülent Bozdoğan is an Independent Board Member of Borusan Mannesmann.

19. Principles of Activity of the Board of Directors

The Board of Directors meet in accordance with a schedule created at the beginning of the fiscal year. A secretariat is in place to create, revise the schedule of the Board of Directors, to ensure attendance of members at meetings, delivery of the board of directors report prepared by the company management to all members 1 week in advance of the meeting, preparation and archiving of minutes. The agenda of meetings of the Board of Directors is again determined by the Chairman of the Board of Directors in accordance with views of the members of the Board. 15 days prior to each meeting, the notice and agenda of the meeting is delivered to each member of the Board of Directors upon his request using any means appropriate. Decisions taken at the meeting, different opinions, recommendations and questions asked are also written down in minutes to the meeting. Although opinions have been expressed, there has not been any decision which has not been taken by unanimous vote to date. No prevailing voting right and/or negative veto right has been granted to members of the Board of Directors.

20. Number, Structure and Independency of Committees established within the Board of Directors

Though not mentioned in the articles of association, the minimum qualifications sought in the selection of members of the Board of Directors intersect with qualifications listed in the CMB Corporate Governance Principles, article 4.3 "Structure of the Board of Directors". The current members of the Board of Directors possess qualifications listed in those articles. The articles of association do not list minimum qualifications to be sought in Members of the Board of Directors.

Three committees have been set up within the Board of Directors of the Company. These are an audit committee, a risk early detection committee and a corporate governance committee whose members are all independent members. The corporate governance committee also fulfills tasks of nomination and remuneration committees. Information about the committees and their members has been posted at the Public Disclosure Platform (PDP). <https://www.kap.org.tr/tr/Bildirim/859602>

21. Risk Management and Internal Control Mechanism

At Borusan Group, risk management and internal control are carried out by Borusan Holding Financial Control Department and Finance Department set up by Borusan Holding Board of Directors to include all group companies. In regard to our Company, the Financial Affairs and Finance Unit carries out activities related to the risk management process and internal control mechanism. These units within Borusan Holding and the Company work in coordination within the process. Accordingly, the Company submits financial statements prepared in the scope of International Financial Reporting Standards (IFRS) and reports to the senior management in a predetermined format, scope and content to include statements of the company management regarding the company's performance in line with defined key performance indicators on a monthly basis. These reports are delivered concurrently to Borusan Holding Financial Control Department and the Company's senior management on the 10th day of the next month. In addition, the company's legal and management accounting records and financial statements are entered in the group reporting platform electronically, and such reports and records are analyzed by the Holding Financial Control Department in terms of consistency, compliance with standards, and variance from key performance indicators. The purpose in senior management reporting is to support the Company management in the decision-making process through analyses necessary to take operational and strategic actions.

By using financial market instruments of the company finance unit he fulfills the risk management function and works in coordination with the Holding Finance department.

Following global developments closely, our company has defined a corporate risk management process to render corporate risk management policies effective and systematic, determine factors likely to effect its operations, manage such factors in line with the risk appetite and take necessary measures.

In this process, our company has established a risk early detection committee in line with CMB and TCC regulations. Committed to determining in advance those elements that may pose a risk to the company's continuity and development and actions to be taken against such risks, this committee endeavors to manage the risk effectively.

In this context, the primary risks which the committee may encounter include the credit risk likely to arise from customer receivables, operational risk arising from group operations, market risk arising from changes in foreign exchange and interest rates, liquidity risk arising from continuation of activities and funding of actual requirements, strategic risk likely to arise from in line with developments in relevant sectors, and the reputational risk to the company's strong image and credit, and necessary actions are taken to manage all risks effectively in order to maintain the company's profitability and the effectiveness of its operations.

22. Strategic Targets of the Company

The Board of Directors has determined the Company's vision and mission. The Company's vision is to "be a globally recognized, leading steel pipe company," and its mission is "providing products and services that enhance quality of life with our expertise in steel pipe industry, and to promote economic and social progress of our community." The Company's vision and mission have been announced to the public through our website.

Borusan Group companies work at 5-year strategic plan intervals. Accordingly, company managers carry out setting, market and competitive analyses no less than once every 5 years, and determine necessary key performance indicators, main business targets, main strategies and strategic improvement areas in order for the company to attain that vision. Strategic targets determined by Group companies are submitted to relevant company's board of directors for approval, and then are consolidated by the Holding, and submitted first to the Holding's Executive Committee and then to the Holding's Board of Directors. Every year business plans are prepared taking into account action plans relating to these strategies. Managers share business plans with the Board of Directors at the business plan/budget meeting for that period, and where deemed necessary, revisions are made, and then the annual business plan and budget are approved at the board of directors. Strategies, implementation of these strategies and the company performance are reviewed as part of the business plan once every 3 months by the Company's Board of directors within the year.

23. Financial Benefits

Financial benefits to members of the Board of Directors are categorized under two headings as fixed and variable. The first one of these is a fixed payment, i.e. attendance fee. The variable fee is the dividend distributed from profits of the period at a rate the ceiling of which is determined in the articles of association and is subject to approval of the Board of Directors. Independent members of the board of directors are entitled to fixed fee alone. Independent members are not entitled to receive any share from profit for the period. The Company has not provided any member of the board of directors and any manager with any security like a debt or surety, and not offered any loan or personal loan through the mediation of a third party.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

A. General Principles

A1. Strategies, Policies and Goals

In 2020, efforts have accelerated to integrate sustainability studies into our way of doing business. The seeds of the sustainability movement have begun to be planted in order to make all the activities carried out under the titles of Environment, Human and Finance, which form the basis of sustainability, i.e. to be more managerial. In this context, first of all, a governance team was formed by considering the three main topics of sustainability and their roles within the company. Then, all stakeholders were evaluated and priority lists were determined. With the long lists created, the main priority sustainability areas were determined with a workshop held with the participation of both the Executive Board and the governance team. Sustainability targets for the upcoming period have been set according to these areas.

The priority areas identified have shown that our current company strategy also includes sustainability values.

The matching of SDGs and company targets for 2020 is shown in the figure below. These targets were followed by the 2020 monthly executive boards.



<https://www.borusanmannesmann.com/calisanlarimiz-icin>

<https://www.borusanmannesmann.com/musterilerimiz-icin>

<https://www.borusanmannesmann.com/toplum-icin>

<https://www.borusanmannesmann.com/dunyamiz-icin>

A2. Implementation / Monitoring

In all of its operations, Borusan Mannesmann develops strategies to minimize its ecological footprint, and implements environmentally friendly policies for a clean environment and a healthy future. The company carries out its activities in accordance with all national and international regulations in order to recycle its wastes, minimize the use of natural resources and leave a healthy environment for future generations.

A governance team was formed by considering the three main topics of sustainability and their roles within the company. Then, all stakeholders were evaluated and priority lists were determined. With the long lists created, the main priority sustainability areas were determined with a workshop held with the participation of both the Executive Board and the governance team.

Sustainability activities that have been put into use within this framework are discussed under the relevant section titles.

A3. Reporting

The work carried out in 2020 was shared with the public in the 2020 annual report.

A4. Verification

No study has been conducted in this direction in 2020.

B. Environmental Principles

Our policies regarding Environment and Energy have been posted on our website.

<https://www.borusanmannesmann.com/dunyamiz-icin>

Some of the environmental activities in 2020 are as follows:

- The amount of waste for disposal has decreased by 15% on average in our factories.
- Our Greenhouse Gas emission per product has improved by an average of 2% in our factories.
- In order to increase environmental awareness among employees, an environmental report card, in which both behavioral and outcome-based assessments are made, has been put into use.
- 4400 man/hour of training has been provided within the scope of Bi'dost environmental and energy assessment, which is an action of the environmental report card.
- Environmental targets have been followed in the cockpit presentations.
- Efforts have been made to reduce the amount of waste and our greenhouse gas emissions, and the amount of waste for disposal has been reduced by an average of 15 percent in our factories.
- Our employees, who joined us in 2020, were given 1674 man/hour training on general and UN practices on environment and energy.
- In addition, renewal trainings on the subject of 18990 man/hour environment and 9495 man/hour energy were provided.
- Our employees, who joined us in 2020, were given 1674 man/hour training on general and UN practices on environment and energy.

C. Social Principles

C1. Human Rights and Employee Rights

We aimed to maintain and develop a holistic and innovative employee communication in close contact with our employees, in line with Borusan Mannesmann's cultural values and strategies, in 2020, which we started with the goal of becoming a structure that draws its strength from its employees. While aiming for this, our main focus has been to provide the best employee experience designed according to varying needs, and we have developed projects in different fields with volunteer employee groups that support this. Since the talent acquisition process, which started with the candidate experience, we have worked on applications and developments that address all areas of our employees' company's lifecycle. It has been a year in which we took a lot of action in areas such as experience in different departments or segments, working environment, new working arrangements, business and private life integration, and supporting the equipment and technological facilities they need while doing their work.

Activities were organized in order to anchor the new career management process, which is managed with a career development focus, to the organization. In particular, all management teams were shared in 2 separate sessions on process transfer, development plans and turning them into action.

During the distance working period, content was prepared with gamified and video trainings for the employees in order to use digital platforms effectively, articles and messages supporting personal development were supported with the themes focused throughout the year.

The focus was selected for the determination of development needs and training programs by conducting competency analyzes of our own employees, and the program was designed for the maintenance teams, one of the most critical teams of our company. Employee content was launched to relevant teams within the company and put into practice. Thanks to these teams meeting a certain level of competence, production, quality and efficiency-oriented studies were supported. A total of 45,136 hours of training was provided on 235 different subjects for human development.

In line with the strategy of our company, a special development program was implemented for agile coaches to support the transformation towards agile transformation, and activities supporting agile transformation and projects and studies were followed in line with a common goal throughout the year.

In order to improve the employee experience, we have established Action Master teams consisting of our volunteer teams under the general heading. Our teams continued their work with an agile understanding in four areas, namely Performance Development, Talent Development, Collaboration - Communication Development and Orientation Development, and by listening to the voices of the employees, they developed new ideas and products with the different perspectives they brought to HR processes.

The aim was for university interns to gain experience in different segments and functions within the scope of Alpha Young Talent, and a one-year rotation plan was drafted. In this context, the development of people working with different managers in different units was supported. At the end of the year, employment of 4 people were completed.

This year, we turned to digital applications in Occupational Safety processes. Thanks to the "Sağlık Olsun" mobile application and "Sağlık Olsun" wristbands developed within the scope of pandemic measures, it has enabled us to manage case and contact detections quickly and accurately. Sağlık Olsun wristbands can also detect the location of the employee in emergency situations and enable us to respond quickly. Each of our employees can make OHS

notifications via digital screens and all the notifications entered are evaluated by the Occupational Safety unit. With our OHS Report Card application, the performance of each of our operational managers in the way they do business is integrated into the Occupational Safety Processes. In 2020, a total of 21633 hours (19.7 hour/man per person) of training was provided to 9948 people. In addition to the 12-hour training given per person every two years, which is a legal obligation, competency trainings for our employees within the scope of our OHS practices within the company (B'DOST Observer Authorization Training, Safety Friendly Training, OHS Crane Operator Authorization Training-Theoretical, OHS Crane Operator Authorization Training-Practical) has been provided.

In the face of the Covid-19 outbreak, We acted with the principle, "I Protect My Employee! I Protect My Job! I Protect My Stakeholders!", and in this context;

With the principle of #I Protect My Employee and Job;

We formed the "Crisis Management Group", which includes our OHS Executive Board (UN Executive Board, OHS Departments and Factory Directors) and our Corporate Communications Department in the UN operation and management fields.

As of March 15, our employees who have children under the age of 12 that they have to take care of at home, are allowed to work from home, alternately with their spouses, if possible, and in agreement with their managers, provided that the job requirements are appropriate. As of March 18, our office employees were given the opportunity to work remotely and from home. In the period when the cases increased, we stopped production in our factories.

The use of masks in the office was made mandatory, and it was ensured that there is a minimum of one disinfection device on each floor. Besides, hygiene kits were distributed to each of our employees for their own private use. With the clean table concept, our employees were informed that personal items are not kept on the tables and thus full hygiene conditions are ensured. Daily cleaning routines of office equipment such as telephones and photocopy machines were determined. Awareness-raising stickers were placed along with poster works on what kind of importance we take within the company and how we can be protected from the Coronavirus in our head office and all our factories. Content works related to the pandemic were published on our corporate TVs. Arrangements suitable for social distance were made in the common areas. Areas where too many people come into contact such as door handles and taps have been turned into those with sensors. Working hours are arranged in order to reduce the human burden in the cafeterias, and the body temperature of the employees is measured with a thermal camera at the factory entrances and exits. In a possible case, the isolation room at the entrance of the factory and our emergency vehicle were revised and prepared. On the other hand, we continue to carry out the maintenance and disinfection processes of all ventilation systems regularly. Headphones were given to all our employees working on the computer to use in their meetings.

We met with the executive board to inform our employees, with our company physicians to answer the questions that employees wonder about Covid-19, with our Turkish friends working at our factories abroad to learn what is happening in the world, with doctors who are experts in their fields to reduce our anxiety and fear, and have fun, and we came together on our digital channels on special days and events to share. While all our meetings were transferred to our digital channels, outside visitor admission to offices was stopped.

In May, we launched **Sağlık Olsun**, which is an important application for us to protect the health of our employees during the pandemic period. This practice has made significant contributions to protecting the health of our employees, creating a positive psychology, making our workplaces safer against pandemics and protecting our business continuity at corporate level. For early symptom detection, the questionnaire part of our application should be filled

continuously every day. In this way, we can detect our contact employees in advance at the latest within half an hour, prevent a possible risk of contamination to other employees, and provide a hundred percent improvement by starting the quarantine process on time. With Sağlık Olsun, more than 424 thousand questionnaires have been replied, nearly 6 million questions have been answered, and our physicians have met with each of our employees at least once. To date, 375620 QR codes have been generated to be used while getting into the service vehicle. The wristbands that we realized within the scope of the application and that allow us to monitor our employees against disease risk have also provided us with great benefits in maintaining social distance.

We have put into use "Sağlık Olsun" wristbands to maintain social distance and prevent the risk of transmission. Wristbands warn when the social distance limit between employees is exceeded and ensure that contacts are identified quickly and accurately in case of a possible case detection.

In addition, Covid-19 cross-checks are carried out on tablets by operational managers in our factories, and the inspection outputs are evaluated by the OHS unit.

The HSE team of our Borusan Mannesmann Pipe US company in the USA distributed materials to reduce the impact of the supply chain, which is disrupted due to the measures taken against Covid-19, in the country, which has a more troublesome coronavirus process than many countries. By distributing products such as disinfectants, masks and toilet paper, we aimed to ensure that employees have enough materials to meet their needs and to protect themselves against Covid-19.

The business ethics rules that Borusan employees must comply with have been determined by the Borusan Group Ethics Committee. Borusan Group employees assume the responsibility of obeying and guiding ethical rules in this context. Our company's ethical values and information are posted on our website.

<https://www.borusanmannesmann.com/turuncu-etik>

Equality among employees is one of the most critical issues at Borusan, and detailed information on this is available on our website at <https://www.borusanmannesmann.com/toplum-icin>.

C2. Stakeholders, International Standards and Initiatives

With the start of the pandemic process, our dealers and customers explained the measures taken within the company and conveyed that we switched to the principle of working from home.

We have sent health kits consisting of masks, gloves, hand disinfectants, immune-enhancing propolis, dried fruit and herbal teas to our dealers and dealer employees throughout Turkey in order to both raise awareness and help them protect their health.

We held our dealer meeting, which we hold with our dealers every year to evaluate the general conjuncture, in May and December in 2020 in digital environment.

Digitalization stands out as a game changer and innovative issue in the steel pipe industry. The necessity of digital transformation, which allows companies to continue their existence by adapting to rapidly changing conditions and to stand out from the competition by differentiating from other manufacturers in increasing competition conditions, is increasingly adopted among manufacturers day by day. This immense journey creates vast opportunities for the steel pipe industry and starts a new era in the industry. Achieving meaningful results with big data

analysis, the introduction of machine learning, internet of things, automation, cloud computing and other new technological applications contributes significantly to steel pipe producers in increasing their productivity while reducing their costs.

Covid-19 pandemic conditions in 2020 have also increased the importance of digitalization. As Borusan Mannesmann, we consider digital transformation as one of the important driving forces of the company. We have significantly increased the efficiency and productivity of our operations with the Industry 4.0 projects we have developed in recent years. We have worked on many different digital transformation projects, from augmented reality and virtual reality applications to machine learning and production flow simulations, to innovative online platforms. In 2021, we aim to continue our digital transformation journey with new projects and applications with determination.

Borusan Mannesmann sees new product and service development and digital transformation processes as one of the main steps to reach its long-term goals. Borusan Mannesmann continued to develop new value-added products and advanced processing processes for different customer segments in 2020. The year 2020 has been determined as a year of transformation in the fields of innovation and digital transformation. In this context, the concept Pipe+ was first implemented. In this context, focus areas in the field of digital transformation have been determined and work has started on them.

The second most important part of the transformation is the COIN (Collaborative Innovation network) platform, which was commissioned in 2020. COIN is a platform that does not limit the stage of generating innovative ideas only to resources for the company, and enables a wide audience such as entrepreneurs, start-ups, students, private companies, academics, at home and abroad to think about and generate ideas in the focus areas we have determined as priority. However, not only our focus areas, but also every entrepreneur looking for investment opportunities can share their ideas with us. An incoming idea is evaluated by our team, we decide how to make collective contribution and opportunity sharing together with the owner of the idea for ideas that are worth working on according to our norms and we start the project. Therefore, we built a model for our own focus or another product that we will win not only with our own resources but also with all external resources.

D. Corporate Governance Principles

The Company puts maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles within the scope of the Capital Markets Board Corporate Governance Communiqué No. II-17.1.

We Aim Excellence, We Make Our Customers Happy, We Take Initiative and Responsibility, We Are Reliable and We Contribute to the Society which are Our Company Values are published on our website.