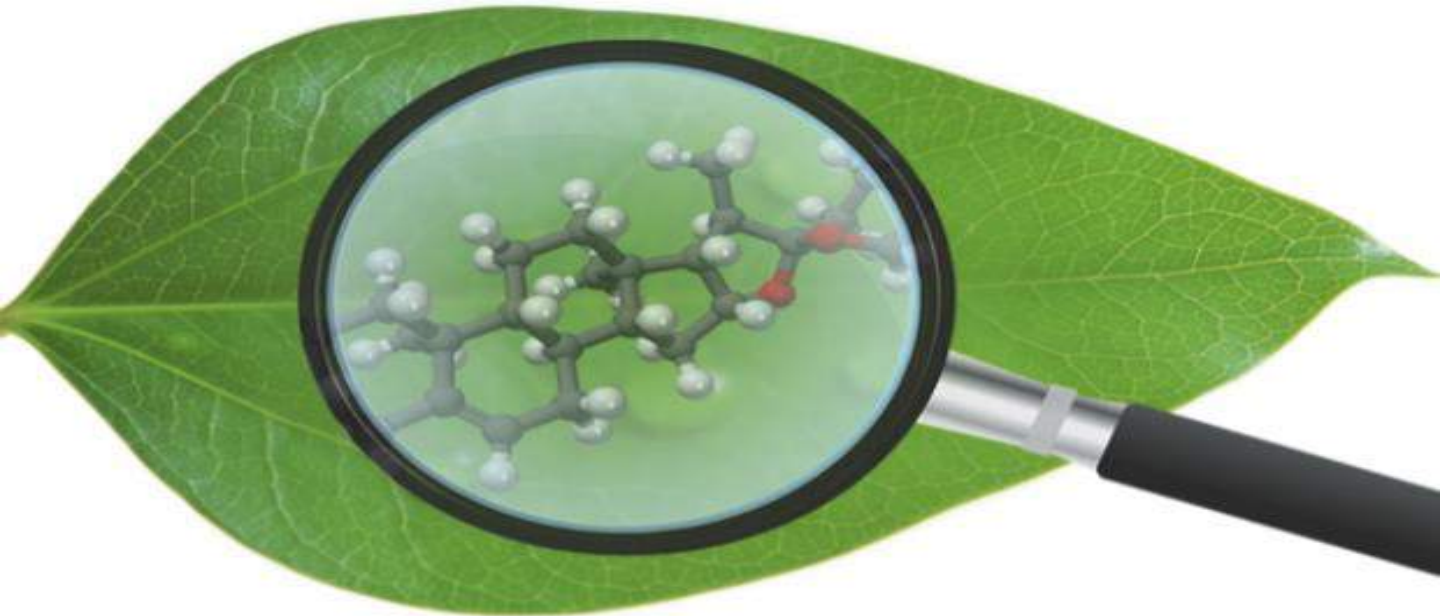


2020 Annual Activity Report



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HALF CENTURY OF EXPERIENCE AND SUSTAINABLE DEVELOPMENT

While continuing our growth for half a century with the mission of "Sustainable Development" since our establishment, we continue to create value for our stakeholders in all our activities with capacity increase investments and eco-friendly products.

While exporting to 34 countries in 5 continents, we increase the efficiency of production systems with high technology applications, and make significant investments in all projects that serve quality from the supply chain to customer experience.

With strategic approaches shaped by our value-creating sustainable growth mission, we are rapidly progressing towards our goals that will carry our half-century of experience into the future.

BRIEFLY ACISELSAN

Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. ("Aciselsan", "Company") was established in 1973 in Acıpayam, Denizli by the local people. Its field of activity is the production, trading of eco-friendly CMC (Carboxymethylcellulose) and its derivatives formulated at high quality and utilization of production wastes.

CMC is a water soluble cellulose ether and is used as an intermediate in detergent, paint, food, pharmaceutical, cosmetics, textile, glue and drilling industries.

In 1974, with its present name Development Bank of Turkey A.Ş. and Vakıflar Bankası A.Ş. become associates of Aciselsan. Development Bank of Turkey A.Ş. has transferred its 76.8% shares in Aciselsan to the Privatization Administration in 2010.

In the last quarter of 2011, Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. won the privatization tender held by the Privatization Administration, and purchased 76.8% of PA shares and 15.2% of Aciselsan shares from Turkey Vakıf Bank T.A.O. Officers and Servants Health Assistance Fund Foundation. In the same year, Aciselsan's shares started to be traded on Borsa Istanbul.

In 2018, 47.3% of Aciselsan company shares owned by Verusaturk GSYO were transferred to Verusa Holding A.Ş.

Today, Aciselsan products are in demand not only in Turkey but also all over the world, with an annual production capacity of 13,500 tons. In addition to domestic sales, it exports most of its production abroad, especially to Eastern Europe, North Africa and Middle East Countries.

ACISELSAN and VERUSA GROUP

Aciselsan has succeeded in becoming a key economic actor in its sector with the acquisition of company shares by Verusaturk GSYO from Privatization Administration in 2012, with its "entrepreneurial capital", its total domestic and international turnover and export volume in difficult market conditions where competition is constantly increasing.

Verusa Group supports Aciselsan via;

- Strengthening of its financial structure,
- Determining future investments,
- Creating human resources,
- With its strong business models focusing on sustainable and environmentally friendly investment projects, it provides the company to walk safely into the future with its guiding role in production.

Since 2012, when Aciselsan joined the Verusa Group, company shares are traded on the Borsa Istanbul with the code ACSEL.





General Company Information

2020 Activity Report

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Company Tag

This Annual Activity Report ("Report") aims to give information to our investors according to the article 516 of the Turkish Commercial Code, the provisions of the "Regulation on the Determination of the Minimum Content of the Annual Activity Report of the Companies" published in the Official Gazette dated 28.08.2012 and numbered 28395 of the Ministry of Commerce, the Capital Markets Board's "Communique on Principles Regarding Financial Reporting in the Capital Markets" (II-14.1) and the provisions of the relevant article of the 'Corporate Governance Communique' numbered (II-17.1) and to evaluate the operating activities of our company as of 01.01.2020 - 31.12.2020.

Commercial Name : Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş.

Trade Registry Number: 258 / Acıpayam Trade Registry Office

Headquarters Address : Aşağı District. Aciselsan Street No: 25 Acıpayam / DENİZLİ

Telephone / Fax :0(258) 518 11 22 - 0(258) 518 11 24

0(258) 518 11 23 - 0(258) 518 15 99

Web Address / E-Mail : www.aciselsan.com.tr / aciselsan@aciselsan.com.tr

Capital : 10,721,700 TL

Registered Capital Ceiling : 30,000,000 TL

Date of Trading on the Stock Exchange: 2012

Stock Exchange / Market: Borsa İstanbul (BIST) / Main Market

Included Indices: BIST MAIN / BIST ALL / BIST ALL SHARES-100 / BIST DIVIDEND / BIST INDUSTRY/ BIST CHEM, PETROL, PLASTIC / BIST SME INDUSTRY / BIST DENİZLİ

Share Code : ACSEL

Field of Activity: Production and trade of CMC (Carboxymethylcellulose)

SHAREHOLDER STRUCTURE

Aciselsan has adopted the registered capital system in accordance with the provisions of the Capital Markets Law, and has passed to the registered capital system with the permit of the Capital Markets Board dated 11.04.1984 and numbered 97.

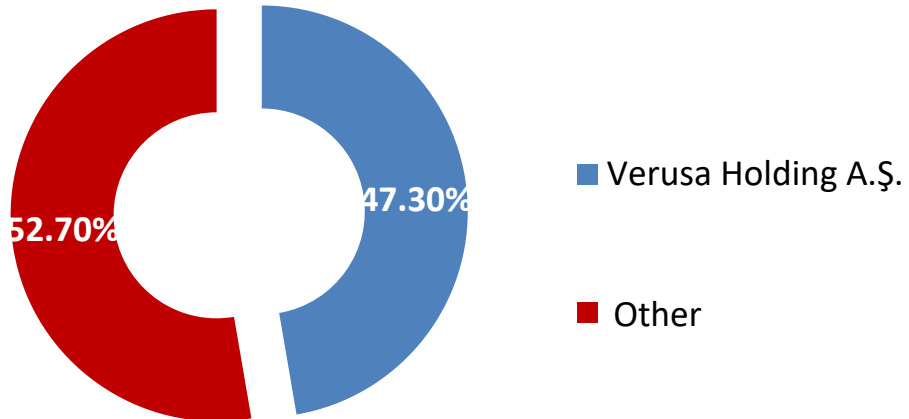
The registered capital ceiling of the company is 30,000,000 (Thirty million) TL and is divided into 30,000,000 (Thirty Million) bearer shares, each with a nominal value of 1 (one) Turkish Lira. The issued capital is 10,721,700 TL and it is fully paid.

Aciselsan, whose shares have been traded on the Borsa Istanbul (BIST) Equity Market since 2012, does not have any subsidiaries or affiliates.

The main shareholder of the company is Verusa Holding A.Ş.

At the end of the relevant period, the partnership structure is as follows.

Shareholders	Amount (TL)	Rate (%)
Verusa Holding A.Ş.	5,071,148.65	47.30
Other	5,650,551.35	52.70
TOTAL	10,721,700.00	100.00



VISION, MISSION and VALUES

Vision

Since its establishment in the chemical industry up to today, it aims to establish reliable and long-term customer satisfaction, to continuously improve "the Aciselsan Quality" and environmentally friendly "Aciselsan Products" with R&D activities based on half a century experience, to offer services of universal quality and standards and to become preferred all over the world and not only in Turkey.

Mission

With a team focused on the "Sustainable Development" mission; our mission is to produce original, high-tech, environmentally friendly, high quality production and to create added value for all our stakeholders.

Values

✓ *Customer Oriented Production*

Our first goal is to create value for our customers and to respond to their expectations with the best quality and service.

✓ *Sustainable Integrity*

It is our duty to make the necessary investments by using the highest technology components and acting with the awareness of protecting the environment; to assist the economic and social development of our employees and society.

✓ *Team Work Based on Honest Working Principles*

Our main principle is to employ the best staff and adult human power for the quality of our products and services, to enable them to improve themselves and to create a fair working environment where cooperation and solidarity is continuous.

HISTORY

1973

Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. was founded by the local people in Acıpayam, Denizli with 3,710 partners.

1974

With their present names, Kalkınma Bankası A.Ş. and Vakıflar Bankası A.Ş. become associates of Aciselsan.

2010

Development Bank of Turkey transferred its 76.8% share in Aciselsan to the Privatization Administration within the scope of privatization.

2011

Verusaturk Venture Capital won the privatization tender organized by the Privatization Administration.

2012 (I)

Verusaturk first purchased 76.8% belonging to the PA, then the 15.2% belonging to T. Vakıflar Bankası T.A.O. Officer and Pension and Health Aid Foundation.

(II)

Aciselsan Laboratory was established.

(III)

The new management was appointed by Verusaturk VC.

(IV)

In the 40th year of its establishment, Aciselsan shares began to be traded on the ISE Second National Market, with 3 thousand 790 partners, without being offered to the public.

HISTORY

2013 (I)

In order to increase the current production to 10,200 tons, investment studies have been started for a new factory building with an annual production capacity of 3,000 tons..

(II)

Environmentally friendly ecological production standards were set.

2018 (I)

Investments for the Polyanionic Cellulose (PAC) production line with an annual capacity of 1,200 tons have been completed.

(II)

Verusaturk Venture Capital sold 47.3% Aciselsan shares to Verusa Holding.

2019 (I)

As a result of the new zoning plan amendment, the size of the industrial land in the Company's assets increased to 153,770m2 in total.

(II)

Annual production capacity of 8,400 tons increased to 12,000 tons.

2020

Annual production capacity of 12,000 tons increased to 13,500 tons.



Management

2020 Activity Report

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BOARD MEMBERS and ADMINISTRATIVE STAFF

Verusa Holding A. Ş. (Representative Reha ÇIRAK) Chairman of the Board

Reha Çırak, who completed his secondary and high school education at İzmir American High School and İzmir Atatürk High School, completed his undergraduate education at Bilkent University Faculty of Business Administration.

After starting his career in a finance company in New York, he worked in various multinational companies in the financial sector in Istanbul. In 2003, he was awarded a master's degree from Marmara University Accounting and Finance department. Reha Çırak, who received the CPA License in 2004, attended various finance trainings at UPENN Wharton, NYU Stern and Columbia Business Schools.

Reha Çırak serves on the Boards of Verusa Holding and group companies.

Mustafa ÜNAL Board of Directors Vice Chairman

Mustafa Ünal, completed his undergraduate education at Boğaziçi University Electrical and Electronics Engineering.

He received his master's degree (MBA) from Bilkent University.

Unal, who started his business life in the banking and finance sector, worked as a senior manager in Garanti Bank.

He is still serving as the Chairman of the Board of Directors of Verusa Holding and group companies.

Mustafa Ünal speaks English and Russian.

BOARD MEMBERS and ADMINISTRATIVE STAFF

Dr. Mustafa Necip ULUDAĞ **Board Member**

Necip Uludağ, who is a graduate of Istanbul Technical University Mechanical Engineering, received his master's degree from the joint program of Harvard and Istanbul University International Business Administration and his PhD from the joint program of Milan and Istanbul University.

Necip Uludağ, who started his career in Boyner Group in 2001, served as the Group Coordinator of Benetton Shoes and then as the General Manager of Nafnaf and Chevignon.

Necip Uludağ, who was a Board Member of Azerbaijan Alfa Yatırım and IPF International & Canam Investment Funds established in Texas, was Vice Chairman of GYİAD for two consecutive terms between 2004-2007 and a Board Member of TEDMER in 2006 and 2007, currently serves on the Board of Directors of Verusa Holding and group companies.

Prof. Dr. **M. Ege YAZGAN** **Bağımsız Yönetim** **Kurulu Üyesi**

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BOARD MEMBERS and ADMINISTRATIVE STAFF

Osman AKSOY Independent Board Member

He graduated from Marmara University Faculty of Economics and Administrative Sciences Department of Business Administration and started to work in Istanbul Stock Exchange Clearing Office in 1990.

In 1992, he worked as a founding staff in Istanbul Clearing and Custody Bank Inc., founded by the Istanbul Stock Exchange, respectively. He worked in the positions of Manager, Assistant Manager and Manager.

He retired in 2016 from his position as Member Affairs Department Manager, which he held between 2012 and 2016.

ADMINISTRATIVE STAFF

Name / Surname	Function/ Title	Date of Position Start	Total Professional Experience
Zafer KARAGÖL	General Manager	24.09.2012	29 years
Mustafa BULUT	Accounting Manager	01.10.2012	24 years
Fuat ÇELİKTAŞ	Sales and Marketing Manager	02.11.2020	18 years
Emrah KAYA	Production Manager	03.10.2012	13 years
Göksu COŞKUNSU	Business Development Manager	07.09.2020	16 years
Ersan Melih GÜLEL	Administrative Affairs Officer	04.04.2012	19 years
Mustafa ARSLAN	Investor Relations Executive	18.03.2016	11 years



Financial Indicators

2020 Activity Report

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FINANCIAL INDICATORS

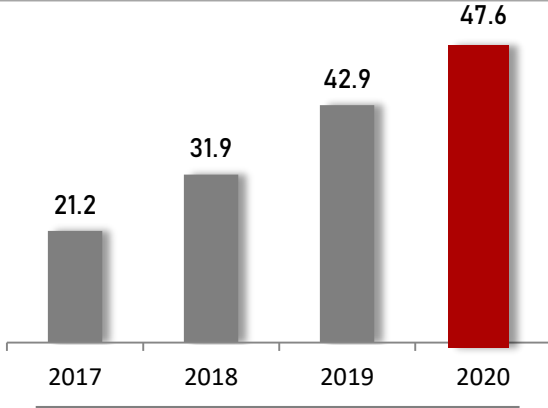
Summary of Balance Sheet

(TL '000)	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Total Assets	61,360	49,448	38,172	28,318
Current Assets	26,579	18,628	15,418	13,304
Fixed Assets	34,781	30,820	22,753	15,014
Total Liabilities	9,383	7,566	6,457	5,131
ST Liabilities	5,472	4,326	4,143	2,905
LT Liabilities	3,911	3,240	2,314	2,226
Shareholder's Equity	51,977	41,882	31,714	23,186

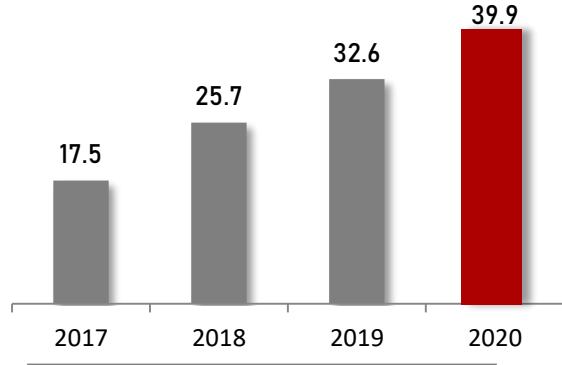
Summary Income Statement

(TL '000)	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Sales	47,661	42,939	31,972	21,165
Gross Profit	12,666	8,139	6,133	3,634
Main Operation	9,410	5,218	5,290	1,295
Net Profit	10,451	9,306	8,217	1,839
EBITDA	9,210	5,487	3,956	1,084
Gross Profit Margin	%26.58	%18.95	%19.18	%17.17
Main Profit Margin	%19.74	%12.15	%16.55	%6.12
Net Profit Margin	%21.93	%21.67	%25.70	%8.69
EBITDA Margin	%19.32	%12.77	%12.37	%5.12

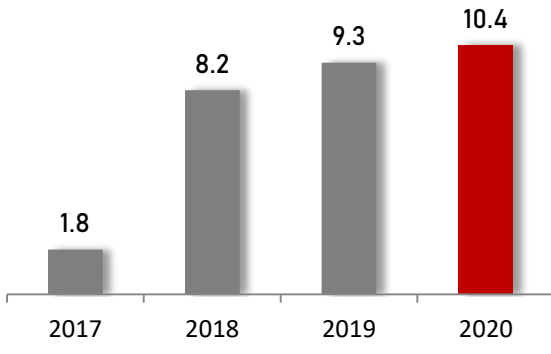
FINANCIAL INDICATORS



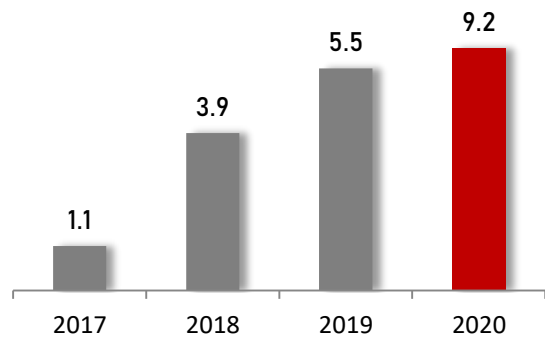
Sales Revenue (Mn TL)



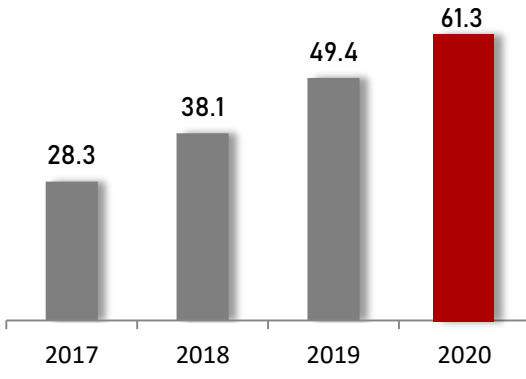
International Sales (Mn TL)



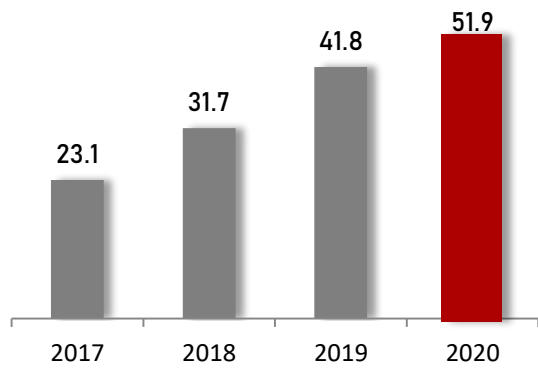
Net Profit (Mn TL)



EBITDA (Mn TL)



Total Assets (Mn TL)



Shareholder's Equity (Mn TL)



2020

DEVELOPMENTS

2020 Activity Report

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CMC – Carboxymethyl Cellulose Production

Aciselsan has increased its CMC production capacity to 13,500 tons.



The main activity field of Aciselsan is production and trade of the cellulose derivatives of CMC (carboxymethyl cellulose). Our Company is one of the first and leading companies of Turkey in the production of CMC.

CMC is a water soluble cellulose ether and has a wide utilization area as an intermediate in detergent, paint, food, pharmaceutical, cosmetics, textile, glue and drilling industries. The demand for cellulose derivatives, which are used as intermediates from food to drilling products, from detergents to pharmaceuticals, is growing according to the increasing population and needs all over the world.

Despite the negative effects of the Covid-19 epidemic, which caused slowdown and stagnation in all sectors, Aciselsan managed to increase its production capacity and turnover in 2020 with its experience and quality of half a century.

With the growth of both the sector and Aciselsan market share, it completed its planned investments in the production line in 2020, increased its annual production capacity from 12,000 tons to 13,500 tons in order to meet the intense demand from its customers, and made improvements in its product range with R&D studies carried out in its own laboratory.

According to data from the Ministry of Commerce of Turkey, Turkey's total exports in chemicals exports is the third largest export item with a share of 12.7% and is growing rapidly every year.

Main Sectors Where CMC is Used

Detergent Industry	Textile Industry
Adhesive Industry	Paper and Cardboard Industry
Food Industry	Paint Industry
Drilling Industry	Pharmacy and Cosmetics Industry

DISTRIBUTION OF PRODUCTION AND SALES

83.6% of total sales are exported abroad to **34** countries whereas **16.4%** are sold in Turkey.

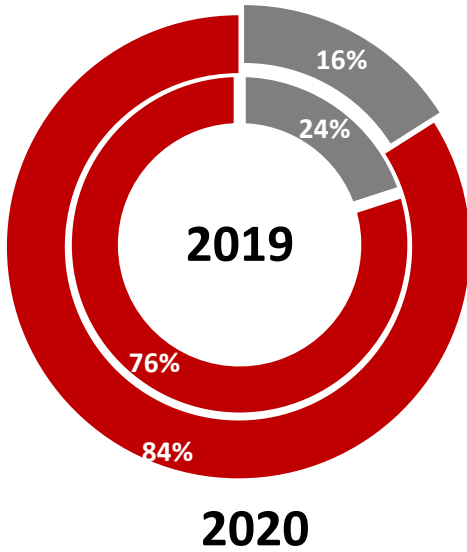


DISTRIBUTION OF PRODUCTION and SALES

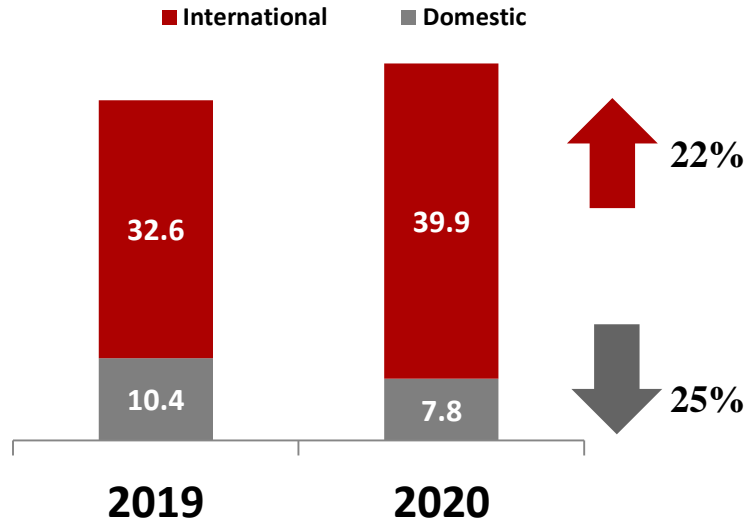
11% increase in total turnover compared to the previous year.

Sales (TL)	2020	2019
Domestic Sales	7,815,282	10,411,241
Exports	39,942,447	32,679,433
Returns and Discounts	(97,223)	(151,668)
TOTAL	47,660,506	42,939,006

Domestic and International Sales Share in Total Sales (%)



Domestic and International Sales (Mn TL)



Aciselsan in 2020

With the new consumer needs and per capita consumption shaped during the Covid-19 pandemic process, the CMC world market continued to grow, and in 2020, Aciselsan increased its export market share, especially due to the increase in foreign customer demands.



11% Increase in Sales Revenues in 2020

Aciselsan has continued to grow in 2020 where conjuncture of the global pandemic's negative effects were felt and competition has intensified on Turkey's economy.

In line with the effects of the pandemic, especially in 2020, when the demand for the detergent industry was intense, Aciselsan realized its domestic sales with an additional capacity increase of 1,500 tons, and its domestic sales were realized as 7.8 million TL and foreign sales were 39.9 million TL.

In line with the planned growth targets, it exported 83.6% of its production to foreign markets. Aciselsan, which continues to grow in foreign markets with its R&D studies that increase the quality of its products, effective marketing and sales strategies, has increased its international sales by 22% compared to the previous year on the axis of sustainable profitability and export, and its net turnover for 2020 reached 47.6 million TL.

During the same period, the Company recorded a remarkable increase in operating profit and EBITDA figures and margins.

Facility and Capacity

Aciselsan Acıpayam Selüloz ve Tic. A.Ş., pursues its CMC (Sodium Carboxymethyl Cellulose) production activities in Turkey, Denizli province in 8,843 m² closed area set on a plot of 153,770 m² with a total annual production capacity of 13,500 tonnes.

Operations out of Turkey

It is expected that the world CMC market, where Asia - Pacific and Europe realize 85% of the total production, will reach a size of 1.7 billion dollars in parallel with the increasing demand.

Aiming to increase its share in the international market and increase its profitability by focusing on customer satisfaction, Aciselsan achieved high operational profitability and sales revenue with the increase in global exports and exchange rates.

Aciselsan in 2020

Aciselsan has adopted the principle of acting with the awareness of protecting the environment and contributing to the economic and social development of its employees and the society in the production of eco-friendly technical and pure grade CMC, which it has prepared in its own laboratory.



Environment Practices

As one of the first companies established in the sector, Aciselsan has included the production in its own laboratory in compliance with environmental standards among its corporate principles in 2013.

For a systematic and effective environmental management, the Verusa Group has adopted sustainability principles, and within this framework, it continues to work with 1 member representing the Company in the Verusa Holding Sustainability Committee.

Studies have focused on waste management, water and energy saving and management.

Waste Management

In today's world where environmental problems such as the climate crisis and plastic pollution are becoming more and more prominent, the private sector has important responsibilities in solving these problems.

Aciselsan continues its works within the scope of preventing and reducing the wastes at the source, recycling and reusing the inevitably generated wastes at the highest possible rate with the zero waste approach.

Waste management activities include the separation, collection, temporary storage, recovery, transportation, disposal and control after the disposal of the waste at its source.

Aciselsan has a 5-year "Air Emission and Non-Hazardous Waste Recovery" Environmental Permit and License issued by the Ministry of Environment and Urbanization of R.T. within the scope of the 2872 Environmental Permit and License regulation. In addition, it has the Non-Hazardous Waste Collection-Separation Certificate issued by Denizli Governorship Provincial Directorate of Environment and Urbanization of the R.t. until the end of 2022.

Aciselsan in 2020

Aciselsan has successfully completed the environmental audits conducted by the Ministry of Environment and Urbanization in 2019, which will be valid until 2021, and no non-compliances were found about the company. Emission measurement results, valid until 2021, according to legislation and regulations, have also come out in line with environmental standards.

In 2020, a total of 49,292 kg of Aciselsan production waste in paper, cardboard, plastic, packaging containing residues of hazardous materials or contaminated with hazardous materials, mixed metals and liquid-solid oils was disposed of through contracted waste management and recycling companies.

Water Recycling Program and Water Saving

Most of the water used by Aciselsan during production process is recycled.

The water used during production is primarily heated from the walls of the reactors and the exchanger and collected in 2 collecting pools with floats through the recycling pipeline, then the water temperature of 40-45 degrees is cooled to 20-25 degrees and used for re-production.

With the water return line and cooling systems, 98% of the water used in production is recovered and used for re-production.

Thanks to this practice that ensures water efficiency, approximately 1.500 m3 of water was recovered in 2020 and used again in production.

With this application, which reduces the need for clean water, we have achieved water savings and financial savings.



Energy Management

In Aciselsan, dehydrator devices, cyclones and fans that accelerate drying, have been added to the systems for capacity increase, besides the insulation works carried out for the thermal insulation of the drying pipes and capacity increase, energy savings of over 500 MWh have been achieved.

Protection of Environment and Natural Life

In the land where our factory was established in 1973; water resources, environment and vegetation have been preserved and agriculture continues in the surrounding areas.

Social responsibility

Aciselsan contributes to the economy in the region where it operates, with employment for the local community, financial support for those in need, and educational opportunities.

Within the scope of the 2020 outbreak of fighting with Covid-19, our Company has donated 25,000 TL to the campaign "Biz Bize Yeteriz Türkiye".

Aciselsan in 2020

Industry Relations, Human Resources Management, Occupational Health and Safety In Aciselsan



Human resources management in Aciselsan is carried out within the framework of ISO 9001 management certificate, human resources policies, collective labor agreements and relations in accordance with the relevant laws and regulations, taking into account the principles of dialogue with authorized local unions, mutual understanding, protection of labor peace and production continuity.

The main objective of human resources policy, in line with the company's goals and strategies, is, by establishing an organizational structure consisting of individuals with a high level of education, innovative, open to change, dynamic, responsible, who have the potential to develop themselves and their business, and who are suitable for corporate and ethical values. It aims to continuously invest in people by prioritizing the development of employees at all levels, and to be one of the best examples that respect human rights,

44 employees who are not administrative staff in Aciselsan are members of Turkey Petroleum Chemical Rubber Workers Union (Petrol-İş).

The ongoing negotiations between PETROL-İŞ union and Aciselsan were concluded on 30.01.2020, and a Collective Labor Agreement covering the period between 01.01.2020 – 31.12.2021 was signed.

In the pandemic process in 2020, Aciselsan made new plans by reviewing its operational activities in order to ensure the health of the employees.

For the physical and mental health of employees, regulations were implemented within the scope of remote / home working, flexible working models and digitalization processes were used to ensure business continuity.

PCR Covid tests were conducted for employees at regular intervals, and health products such as basic food, hygiene, masks and disinfectants were supplied.

Benefits provided to all employees, apart from their wages, continued in 2020 without interruption.

Within the scope of the Occupational Health and Safety Law and legal obligations, all precautions for zero accidents and occupational diseases have been taken, and online training has been provided on relevant subjects.

In addition, it has successfully completed public audits on the compliance of all fields of activity with legal obligations in accordance with the Occupational Health and Safety Law.



Compliance with Corporate Governance Principles Report

Compliance with Corporate Governance Principles Report

PART I

Statement of Compliance with Corporate Governance Principles

Our Compliance with Corporate Governance Principles Report for the period of 2020 evaluated by the Corporate Governance Committee is included in the annex of this statement.

Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. ("Company") adopts the concepts of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by the Capital Markets Board ("CMB") and continues its activities by applying these principles correctly.

In the activities of our company, in 2020, utmost care has been paid to comply with the mandatory / non-compulsory regulations in the Corporate Governance Principles annexed to the CMB's Serial: II-17.1 "Corporate Governance Communiqué".

There is no privilege or privileged voting right for any share in the capital structure of our company. With the General Assembly Information Document prepared three weeks before the General Assembly, the General Assembly information such as participation in the General Assembly, exercise of voting rights and changes regarding the organization, which must be disclosed in the principles, will be submitted to the information of our investors on the website of our Company and on the Public Disclosure Platform.

As much as the importance given to the financial performance of our company, the implementation of the Corporate Governance Principles is also given great importance in terms of both the development of the capital market and the stakeholders. Compulsory principles are fully complied with. 2 people serve as independent members of the board of directors of the company. Established within the framework of CMB regulations, Corporate Governance, Audit and Early Detection of Risk Committees continue to fulfill their responsibilities and activities.

Although the principles that are not compulsory to be implemented have not been fully complied with yet, administrative, legal and technical infrastructure studies are continuing on these principles.

Compliance with Corporate Governance Principles Report

PART II - SHAREHOLDERS

2.1. Investor Relations Department

Our company's relations with shareholders are carried out within the Investor Relations Department. Necessary measures are taken to ensure that shareholders can use their right to information and their rights arising from the partnership completely and as soon as possible.

Special cases are immediately disclosed to the public by the investor relations department and responsibilities towards regulatory authorities such as Borsa Istanbul and CMB are met.

The "Activity Reports" prepared in relation to the financial statements and footnote explanations of our Company and the operational and financial activity results are announced and published on the corporate website www.aciselsan.com.tr and Public Disclosure Platform www.kap.org

Although the Shareholder Relations department does not submit a separate report to the Board of Directors due to the structure of our company, it shows the necessary sensitivity to inform the Board of Directors and Senior Management in a timely manner.

All written and verbal requests for information received from shareholders during the period were answered verbally or in writing, without any discrimination between the partners as per the Capital Market Legislation.

The contact information of the officials working in the said department is presented below.

Mustafa ARSLAN

Investor Relations Department Manager

Tel: 0(212) 290 74 90

Fax: 0(212) 290 74 91

E-mail: mustafa.arслан@verusa.com.tr

Ersan Melih GÜLEL

Investor Relations Department Responsible

Tel: 0(258) 518 11 22

Fax: 0(258) 518 11 23

E-mail: ersangulel@aciselsan.com.tr

Functions of Investor Relations Department

The main duties of the Investor Relations Department assigned by the legislation are as follows:

- To ensure that the correspondence between the investors and the Company and the records of other information and documents are kept in a correct, secure and up-to-date manner,
- To prepare a list of those who have access to insider information within the framework of the legislation on public disclosure of special situations and to follow the update of this list
- * To prepare the documents required to be submitted for the information and review of the shareholders in relation to the general assembly meeting and to take measures to ensure that the general assembly meeting is held in accordance with the relevant legislation, articles of association and other intra-partnership regulations,

Compliance with Corporate Governance Principles Report

* Supervising and monitoring the fulfillment of the obligations arising from the capital market legislation, including all kinds of issues related to corporate governance and public disclosure,

*To regularly monitor the content of the "Investor Relations" section on the website and to update it when necessary,

*To evaluate and answer questions from investors and analysts, to hold one-on-one meetings when necessary or to attend conferences and meetings organized on this subject,

• To observe and monitor all kinds of issues related to the public disclosure legislation, to prepare and send the special situations disclosures required to be made in the Public Disclosure Platform in this context,

• To respond to questions and requests for information from existing and potential domestic and foreign investors via telephone or electronic mail to the extent allowed by legal regulations,

• To prepare reports on the activities and financial status of the Company for the relevant period as of quarterly activity periods,

* To keep track of the information included in the Registration System within the Central Registration Agency.

Developments in 2020

Areas in which the Investor Relations Department plays an active role in the relevant period,

• There have been processes of General Assembly and annual report.

• It was aimed to answer the questions from the Capital Markets Board in a complete and correct manner, to obtain the requested documents and information immediately, to ensure correct and effective communication with the Board, and the activities of the Investor Relations Department were carried out within this scope.

• Emphasis was placed on the timely, accurate, complete, understandable and interpretable disclosures made to the public through the Public Disclosure Platform (KAP), and care was taken to inform all shareholders about developments equally and simultaneously.

• Approximately 49 written and verbal requests for information were received from local/foreign investors, analysts and shareholders were answered verbally or in writing, without any discrimination between the partners as per the Capital Market Legislation.

* The corporate website of the company has been updated and its translation into English has been completed.

Compliance with Corporate Governance Principles Report

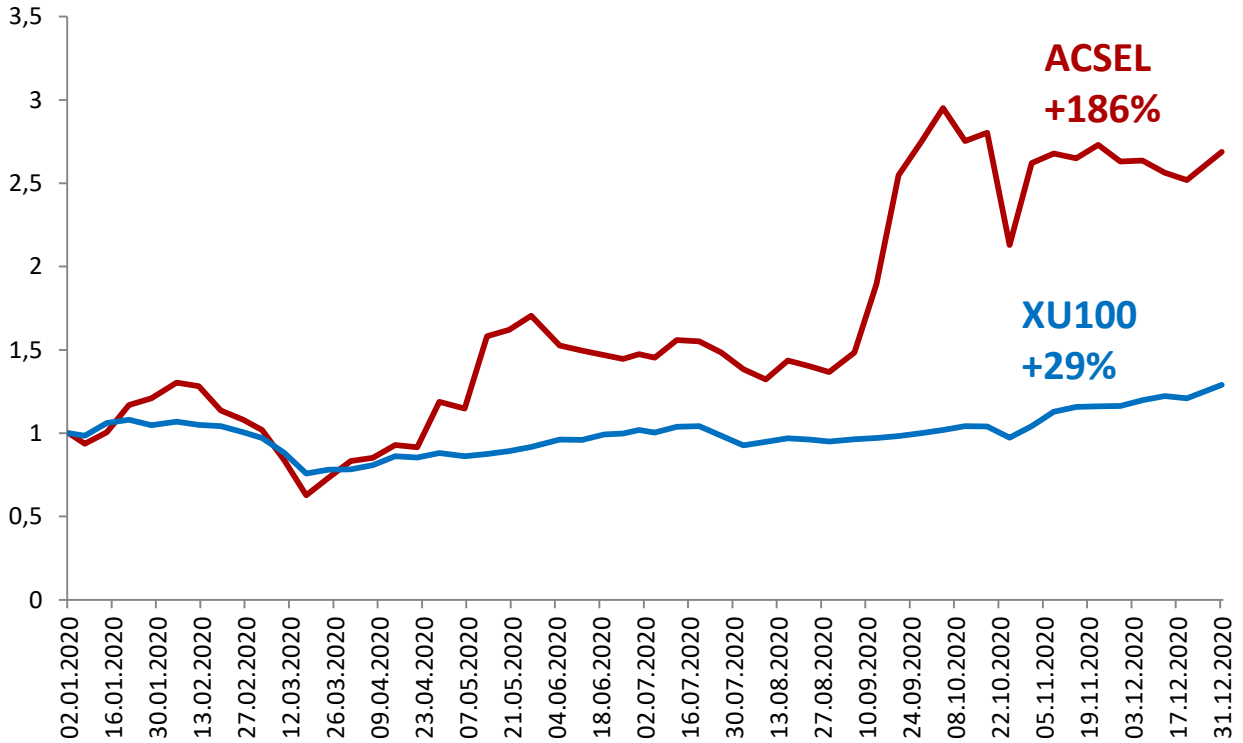
Share Performance

The market value of the company is 184 million Turkish Liras as of 31.12.2020. Aciselsan shares have been traded on Borsa Istanbul (BIST) since 2012 under the company code ACSEL.

The shares of the company are included in the following indices on Borsa Istanbul stock markets, and the stock performance for 2020 is shown in the chart.

- BIST Istanbul
- BIST All-100
- BIST All
- BIST Main
- BIST Dividend
- BIST Industry
- BIST Chemical, Petroleum, Plastic
- BIST SME Industry
- BIST Denizli

In 2020 on Turkish Lira basis, while the BIST 100 Index gained 29%, Aciselsan shares made a 186% return on the index.



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2.2. Exercise of Shareholders' Right to Obtain Information

In our company, there is no discrimination between shareholders in the use of the right to obtain and review information.

Each shareholder has the right to obtain and review information. In this regard, all information requests received by the Investor Relations Department in 2020, provided that there is no trade secret or information that has not yet been disclosed to the public, has been carefully examined, and the investor's requests was answered clearly, accurately and in detail in writing and verbally via telephone or e-mail.

In order to expand the shareholders' right to obtain information and to exercise their rights properly, the necessary information and documents as well as the financial statements are updated electronically on the "Investor Relations" section of our Company's corporate website www.aciselsan.com.tr.

The announcement of developments that will affect the use of the shareholders' rights to investors was provided through the special situation disclosures (SSD) made through the Public Disclosure Platform (PDP) and our Company's website in 2020.

The company avoids any action that makes private audits difficult. Regarding the right to request the appointment of a special auditor, a separate provision has not been included in the Articles of Association. In 2020, there were no requests regarding the appointment of a special auditor.

2.3. General Assembly Meetings

The Ordinary General Assembly Meeting of our Company for the year 2019 was held on Wednesday, 24.06.2020, at 11.00 am, at North Point Hotel, Fevzi Çakmak Bulvarı (YSE kavşağı), No: 129, 20100 DENİZLİ, and under the supervision of the Ministry Representatives Mrs. Gülsüm Bozkurt and Mr. Tayfun Kiroğlu, who were assigned with the letter dated 24.06.2020 and numbered 54919421 of Denizli Provincial Directorate of the Ministry of Customs and Trade., under the supervision of Tayfun Kiroğlu.

Call for the meeting, as foreseen in the Law and the Articles of Association including the agenda, was made in due time by being announced in Turkey Trade Registry Gazette on 04 June 2020 and issue 10090, on the web site at www.aciselsan.com.tr of the company, on the Public Disclosure Platform (KAP) and in the Central Registry Agency's Electronic General Assembly System (EGKS). In accordance with Article 29 of the Capital Market Law, registered letters have not been sent to our shareholders for invitation to the General Assembly Meeting.

Company Chairman of the Board Reha ÇIRAK, Company General Manager Zafer KARAGÖL and İsmail ÜNAL on behalf of the Independent Audit Company attended the General Assembly meeting. The minutes and other documents of the meeting; The company corporate website has been presented to the Public Disclosure Platform (KAP) and Central Registry Agency (MKK) and to the relevant institutions and the public.

At the General Assembly meeting, attention was paid to conveying the agenda items in an impartial and detailed manner, in a clear and comprehensible manner, and the shareholders were given the opportunity to express their opinions and ask questions under equal conditions.

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At the meeting, in summary;

-Approval of the 2019 Annual Report prepared by the Board of the Company,

-Approval of Independent Audit report regarding the 2019 Accounting Period,

-Approval of Financial Statements regarding the 2019 Accounting Period,

-Release of the members of the Board of Directors for the activities of the Company in 2019,

- The approval of the proposal of the Board of Directors regarding the distribution of 857,736 TL (gross) cash dividend on dividend distribution and starting the cash dividend on 26.06.2020

-The election of PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) as an Independent Auditing Firm,

-The permission to the Members of the Board of Directors within the framework of Articles 395 and 396 of the Turkish Commercial Code have been decided.

The minutes of the general assembly meeting, which includes the full text of the decisions taken, are presented to the information of the investors at www.kap.org.tr.

The decisions of our Company's Ordinary General Assembly Meeting held on 24.06.2020 were registered by the Acıpayam Trade Registry Office on 26.06.2020.

2.4. Voting Rights and Minority Rights

According to the articles of association of our Company, there is one voting right for each share in the General Assembly, and there is no voting right with any privileges.

Practices that make it difficult to exercise voting rights are avoided, and every shareholder is given the opportunity to exercise their voting rights in the easiest and most convenient manner.

Shareholders may have themselves represented by a proxy appointed among other shareholders or externally.

Shareholders can participate in the General Assembly (Electronic General Assembly System) electronically via the Central Registration Agency system and exercise their rights arising from their shares. Proxies who are shareholders are authorized to cast the votes of the shares they represent, in addition to their own votes. The regulations of the Capital Markets Board are complied with in voting by proxy. Minority shareholders also attended the General Assembly held during the period. There are no companies with mutual participation shares.

There is no Company policy or practice that would prevent the representation of publicly held shares in management.

Compliance with Corporate Governance Principles Report

2.5. Dividend Right and Dividend Distribution

ACISELSAN, distributes dividends in accordance with the provisions of the Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations and the provisions regarding profit distribution in our Articles of Association.

There is no privilege regarding participation in our company's profit and distribution of dividends. In dividend distribution, a balanced and consistent policy is followed between the interests of shareholders and the interests of ACISELSAN in accordance with the Corporate Governance Principles.

Company Profit Distribution Policy; Considering that the investment decision may be taken due to the increase in the production amount depending on the financial structure, profitability status, general economic situation of our company within the framework of the TCC, CMB and the relevant legislation, it is decided to be reviewed by the Board of Directors.

And determined whether the distributable profit will be distributed or not, considering that the increased funds are in the interest of the partners.

Dividend distribution is carried out on the basis of Article 15 of the Articles of legal periods.

Association and the regulations of the Capital Markets Board, and in compliance with the approval of the General Assembly and the

After the deductions made in accordance with the legislation from the net profit of the period as of 31.12.2019 in the financial statements and legal records of our Company prepared in accordance with the capital market legislation, it is decided to distribute a cash dividend of 857,736TL (gross) from the net distributable period profit reached in accordance with the Capital Market Regulations, based on the approval of the Board of Directors' proposal at the 2020 General Assembly, a decision was made, and the dividend distribution transactions were completed on 30.06.2020.

2.6. Dividend Policy

The application and explanations regarding the terms and procedure of our company's dividend distribution are specified in the 15th article of the Company's Articles of Association.

The Articles of Association can be found in the "Investor Relations" section on the corporate website www.aciselsan.com.tr.

2.7. Transfer of Shares

All shares of our company are bearer and are recorded in the Central Registration System and followed up in the accounts opened in the name of the associates. Transfer of bearer shares is subject to the relevant communiques and provisions of the Turkish Commercial Code and the Capital Markets Board in accordance with the relevant article of the Company's Articles of Association.

Compliance with Corporate Governance Principles Report

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Disclosure Policy

Our Company's Disclosure Policy includes developments regarding the Company's past performance, future plans and expectations, strategy, target, taking into account the balance between the Company's transparency and the protection of its interests; has been prepared in order to present it to the public in an accurate, timely, complete, understandable, equal and easily accessible manner, in a way to assist shareholders, and stakeholders in making decisions.

The Disclosure Policy can be found in the "Investor Relations" section on the corporate website www.aciselsan.com.tr.

The Investor Relations Department has been assigned to observe and monitor all issues related to public disclosure.

Maximum care is taken to ensure that equality of opportunity is not impaired among stakeholders in answering questions. In public disclosures, the Public Disclosure Platform and our Company's website are used effectively.

Our Company's financial statements and footnotes are prepared in accordance with Turkey Accounting Standards (TAS), subjected to independent audit and disclosed to the public.

3.2. Company Website and Its Content

Our Company's website address is www.aciselsan.com.tr, and the issues specified in the Corporate Governance Principles of the CMB are included in the section under the Investor Relations heading of the website. The web site was established in order to inform shareholders, stakeholders and the whole public clearly, correctly and simultaneously. The information on the website is constantly updated in parallel with the developments. To ensure that foreign investors benefit from the information contained here, English translation infrastructure works are continuing and it is aimed to be completed as soon as possible.

3.3. Activity Report

The annual report is prepared within two months following the end of the accounting period, based on the Turkish Commercial Code and the regulations of the Capital Markets Board, in detail to ensure that the public has access to complete and accurate information about the Company's activities. It is signed and approved by the chairman and members of the Board of the Company.

The annual report contains all the information included in the Corporate Governance Principles. The Compliance with Corporate Governance Principles Report is also reported in the Annual Report.

The 2020 annual report, prepared by the Board of Directors of the Company in accordance with article 11 of the Corporate Governance Communiqué (II-17.1) issued by the Capital Markets Board, has been presented to the information of investors and the public.

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PART IV – STAKEHOLDERS

4.1. Protection and Information of Stakeholders

Stakeholders are individuals, institutions or interest groups such as employees, customers, suppliers, and various non-governmental organizations that have an interest in the Company's achievement of its goals or in its activities.

Stakeholders are informed by CMB's Special Situations Disclosures within the framework of CMB regulations, TCC, Competition Law, Tax Laws, Law of Obligations, except for the information that is considered as a trade secret of our Company. In this sense, our Company announces all important developments regarding its activities to the public within the framework of the relevant legislation.

As stated in the relevant sections of the Corporate Governance Principles of the Capital Markets Board, the fact that the activities of the Company are honest, reliable and open to the public within the framework of the principles of public disclosure ensures that the stakeholders are informed about the status of the Company.

The corporate governance practices and ethical rules of our Company guarantee the rights of the stakeholders regulated by legislation and mutual agreements.

In the event that the rights of stakeholders, which are protected by legislation and contracts, have been violated, corrective measures are taken effectively and swiftly to ensure the reconstitution of the rights.

In case of any transaction contrary to the legislation or ethically appropriate, our company has established the necessary communication mechanisms for the stakeholders to easily convey this situation to the Corporate Governance Committee of our Company or the Committee Responsible for Audit.

4.2. Stakeholders' Participation in Management

Although the Company's Articles of Association does not include a regulation for stakeholders' participation in management, as a public company, ways that will ensure the participation of stakeholders, employees, in the management of the company are kept open in a fair, transparent, honest and accountable management approach and supporting models are being developed.

The company considers its understanding of establishing open and honest communication with its employees as the basis of its Human Resources Management policy.

On the other hand, the requests and suggestions submitted during the meetings with employees and other stakeholders are evaluated by the managers, and the opinions of the relevant persons are consulted about the meetings and decisions concerning the stakeholders and employees.

There are no practices such as a share acquisition plan for company employees and assigning a representative or establishing a separate unit to manage relations with employees.

4.3. Human Resources Policy

Our company, as an affiliate of Verusa Holding, has adopted the human resources policy of the Group. Details of this policy are available on the corporate website of the Company.

The main purpose of our Human Resources Policy is to establish an organizational structure consisting of individuals who are highly educated, innovative, open to change, dynamic, responsible, who have the potential to develop themselves and their business, efficient, suitable for corporate values, in line with company goals and strategies, to continuously invest in people by prioritizing the development of employees at the level of employee development, and to ensure that all activities are carried out within the framework of compliance with corporate governance principles

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and ethical rules with a management approach that is respectful to human rights, honest and transparent.

Informing all employees about the Policy, providing trainings, ensuring full compliance are among the primary duties and responsibilities of middle and senior managers, and Corporate Governance and Audit Committees are authorized for the implementation and follow-up of the Policy.

In performance management, Company employees and senior management discuss targets, rights and obligations at periodic meetings, and no employee representative has yet been appointed.

During the term, no complaints were received from the employees regarding issues such as working conditions or personnel policies. There is no lawsuit or finalized judicial decision against the company due to the breach of employee rights or liability related to occupational accidents.

The compensation and all kinds of personal rights of the working personnel are guaranteed by the reserves allocated to the extent determined by Human Resources Policies and laws.

4.4. Relations with Clients and Suppliers

Our company has taken care to take all kinds of measures to ensure customer satisfaction in the marketing and sales of goods and services. Guided by its ISO 9001 certification, improved customer satisfaction, customer loyalty,

increased revenue and market share, productivity and the harmony of internal processes to support this have ensured consistency in delivering products to customers.

Utmost care has been taken to protect the confidentiality of information within the scope of trade secrets of customers and suppliers, with advanced communication, planning and management processes.

Within the scope of its relations with its suppliers, and the policies adopted, it expects from its suppliers not to discriminate in any way according to race, religion, gender, nationality, age, social status, physical structure, recruitment, remuneration, educational opportunity, promotion and retirement practices, political opinion or marital status, to provide equal opportunities to their employees, to act in accordance with local, national and international regulations regarding discrimination and harassment.

4.5. Code of Ethics and Social Responsibility

The Code of Ethics is a set of rules that all our employees, our Board Members and Company Managers, must comply with and act in accordance with.

The activities of the company are carried out within the framework of the CMB, TCC laws and provisions and the Human Resources and Code of Ethics disclosed to the public through the corporate website.

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It guarantees the rights of the stakeholders regulated by legislation and mutual agreements. Stakeholders are informed within the framework of the policy established by the Company in accordance with current legislation and code of ethics.

Ensuring compliance with the Code of Ethics, communicating the Code of Ethical Conduct to all employees, showing the necessary effort and leadership in the compliance of the employees with these rules are among the primary duties and responsibilities of the middle and senior managers working in our Company, Corporate Governance and Audit Committees have been authorized for the implementation and follow-up of the ethical rules.

The company acknowledges that its employees are always obliged to show the utmost care to fulfill their duties within the framework of laws, human rights and basic moral values, otherwise it imposes disciplinary sanctions and sanctions leading to termination of employment.

In the event that employees learn or suspect that the Code of Ethical Conduct has been violated, they may inform their supervisor or, depending on the situation, the Corporate Governance Committee or, as a Verusa Group affiliate, to the Verusa Ethics Line (Etikhat@verusa.com.tr) or they can make a notification by calling 0 (212) 290 74 90.

The social responsibility principles adopted by the company against the environment and society in all its activities are a whole within the code of ethics, human resources policy and donation and aid policy.

The company does not have any public activity in the region where it is located. Our company acts diligently about social

responsibility in all its activities in compliance with laws and environmental values.

It is alongside the legal regulations that will not allow any issues related to corruption and violation of the law, including extortion and bribery.

PART V – BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

The Company is represented and managed by a Board of Directors consisting of at least (5) and maximum (9) members, two (2) of which are independent, elected by the General Assembly for three years in accordance with the Turkish Commercial Code, Capital Market Law and Articles of Association.

The current Board of Directors of our company consists of a total of five (5) members and there is no female Board member on the Board of Directors of our company.

The Capital Markets Law and regulations of the Capital Markets Board regarding independent members to be elected to the Board of Directors are followed. Due to the structure of the Board of Directors, the process of nominating independent candidates was carried out by the Corporate Governance Committee, and no situation that could affect the independence of independent members occurred during the period.

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Members of the Board of Directors as of 31.12.2020 are listed in the table below.

BOARD OF DIRECTORS	
Reha ÇIRAK (Representing Verusa Holding A.Ş.)	Chairman of the Board
Mustafa ÜNAL	Vice Chairman of the Board
Dr. M. Necip ULUDAĞ	Board Member
Prof. Dr. M. Ege YAZGAN	Independent Board Member
Osman AKSOY	Independent Board Member

5.2. Operating Principles of the Board of Directors

The Board of Directors is responsible to manage and represent the Company.

Members of the Board of Directors are elected by the General Assembly within the framework of the Turkish Commercial Code and related regulations and the provisions of our Company's Articles of Association.

The Board of Directors is authorized to take decisions on all matters other than those granted to the General Assembly in accordance with the TCC and Articles of Association. The Board of Directors is entitled to assign the management, partially or completely, to one or more members of the Board of Directors or to a third party, in accordance with an internal directive to be issued in accordance with the Turkish Commercial Code and Capital Market legislation. The Board of Directors may appoint commercial representatives and commercial proxies.

The Board of Directors is responsible for the Company's achievement of the operational and financial performance targets determined and disclosed to the public. The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner.

The Board of Directors may establish committees and commissions, which may include members of the Board of Directors, for the purpose of monitoring the progress of the business, preparing reports on issues to be submitted to it, having its decisions implemented or for internal audit.

The Board of Directors creates internal control systems, including risk management and information systems and processes that can minimize the effects of risks that may affect the Company's stakeholders, especially shareholders, taking into account the opinions of the relevant Board of Directors committees. The Board of Directors reviews the effectiveness of risk management and internal control systems at least once a year.

The Board of Directors plays a role in maintaining effective communication between the Company and its shareholders, settling and resolving any disputes that may arise, and is in constant communication with the Corporate Governance Committee and Investor Relations Department for this purpose.

Apart from these committees, it may also establish commissions and committees responsible for executing or observing the implementation of the decisions and policies regarding company affairs. In the formation of these committees, the regulations in the Capital Market legislation are observed.

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5.3. Duties of the Members of the Board of Directors in Other Companies

The duties of the Members of the Board of Directors and Board Members outside the company are detailed in the table below..

Name / Surname	Function/ Title	Functions at the Other Companies
Verusa Holding A.Ş. (Representative: Reha ÇIRAK)	Chairman of the Board	Investco Holding A.Ş. Board Vice Chairman/ Verusa Holding Board Vice Chairman/ Verusaturk GSYO A.Ş. Board Vice Chairman/ Pamukova Elektrik Uretim Board Vice Chairman/ Enda Enerji Holding Board Member
Mustafa ÜNAL	Vice Chairman of the Board	Investco Holding A.Ş. Board Chairman / Verusa Holding A.Ş. Board Chairman /Verusaturk GSYO A.Ş. Board Chairman / Ata Elektrik Enerjisi Toptan Satis Board Chairman / Pamukova Elektrik Uretim Board Chairman / Standard Bauxite Establishments Board Chairman / Galata Altın İşletmeleri A.Ş. Board Chairman / Innoted Teknoloji A.Ş. Board Chairman/ Aldem Çelik Endüstri Sanayi ve Ticaret A.Ş. Board Vice Chairman / Enda Enerji Holding Board Member/ Tortum Elektrik Üretim A.Ş. Board Chairman / Pamukova Yenilenebilir Elektrik Uretim Board Chairman / Core Engage Yazılım A.Ş. Board Chairman / Zeroone Interactive Yazılım A.Ş. Board Chairman / Golive Yazılım Hizmetleri A.Ş. Board Vice Chairman
Mustafa Necip ULUDAĞ	Board Member	Verusa Holding Board Member /Verusaturk GSYO A.Ş. Board Member / Pamukova Elektrik Uretim Board Member/ Aldem Çelik Endüstri Sanayi ve Ticaret A.Ş. Board Member / Innoted Teknoloji A.Ş. Board Member/ Pamukova Yenilenebilir Elektrik
Prof. Dr. M. Ege YAZGAN	Independent Board Member	Verusa Holding Independent Board Member/ Verusaturk GSYO A.Ş. Independent Board Member
Osman AKSOY	Independent Board Member	-

Compliance with Corporate Governance Principles Report

5.4. Board of Directors Meetings

The Board of Directors convenes upon the invitation of the Chairman or Vice Chairman whenever required by our Company's business.

The agenda of the Board of Directors meeting, copies of all relevant documents and other information about the issues to be discussed at the meeting are sent to the members of the Board of Directors at least five (5) working days before the meeting by fax, registered letter or e-mail.

In urgent or extraordinary situations, the Board of Directors may convene regardless of the invitation periods specified here.

During the 2020 activity year, the Board of Directors convened 10 times and took a total of 11 decisions.

The majority of the members of the Board of Directors attended these meetings and the decisions were taken unanimously by the members attending the meeting.

The possible damages that may be caused in the Company by the faults of the members of the Board of Directors during their duties are not insured by our Company.

5.5. Committees Established Within the Board of Directors

Within the framework of the provisions of the Corporate Governance Communiqué of the Capital Markets Board, **the Audit Committee, Corporate Governance Committee and Early Risk Detection Committee** have been established by the Board of Directors of the Company.

The fields of activity, working principles and members of the committees were determined by the Board of Directors and announced to the public through the Public Disclosure Platform and the Company's corporate website.

Two of the Members of the Board of Directors are independent members. A Board Member serves on more than one committee at the same time, so that all Board Members serving in the committees are independent members. All kinds of resources and support required for the committees to fulfill their duties are provided by the Board of Directors.

Committees may invite any manager they deem necessary to their meetings and receive his opinions.

Committees can benefit from the opinions of independent experts on the subjects they deem necessary regarding their activities. The cost of the consultancy services required by the committees is covered by the Company. No such service was received in 2020.

The Committees, which convene as required for the effectiveness of their work and as described in their working principles, submit their opinions and reports containing information about their work and meeting results to the Board of Directors.

Compliance with Corporate Governance Principles Report

Audit Committee

The purpose of the committee working under the Board of Directors, is, in accordance with the principles of the Capital Market legislation, to assist the Board of Directors for the supervision of the Company's accounting system, the disclosure of financial information to the public, the functioning and effectiveness of the independent audit and internal control system, to evaluate the issues determined within the framework of the evaluations and to make recommendations by reporting to the Board of Directors.

The committee convenes at least 5 times a year to review the financial statements and to select the independent audit company.

In 2020, the Audit Committee held 5 meetings, where information on internal audit activities and independent audit results were shared.

Audit Committee	
Osman AKSOY	President
Prof. Dr. M. Ege YAZGAN	Member

Corporate Governance Committee

The purpose of the committee working under the Board of Directors is, in accordance with the Capital Market legislation and the principles in this regulation, to monitor the compliance of the Company with the corporate governance principles, to determine the board members, to determine the Company approach, principles and practices in terms of remuneration, performance evaluation and career planning of the members of the board of directors and senior executives, to support and assist the board of directors by carrying out activities in the areas of supervision of its relations and activities.

In addition, the "Corporate Governance Committee" fulfills the duties of the "Nomination" and "Remuneration" committees, which could not be formed due to the structure of the Board of Directors.

In line with these objectives, the Committee meets at least once a year, and at the required frequency according to the agenda and need.

1 meeting was held by the Corporate Governance Committee in 2020.

Corporate Governance Committee	
Prof. Dr. M. Ege YAZGAN	President
Osman AKSOY	Member
Mustafa ARSLAN	Member

Compliance with Corporate Governance Principles Report

Early Detection of Risk Committee

The purpose of the Early Detection of Risk Committee is, in line with the Turkish Commercial Code, the company's articles of association and the Corporate Governance Principles Communique of the Capital Markets Board, to give suggestions and offers to the Board of Directors regarding determining, defining, prioritizing, monitoring and reviewing the strategic, financial, operational risks and opportunities that may affect the activities of the company by calculating their effects and probabilities; managing, reporting, considering within the decision making processes these risks and opportunities in parallel to risk profile and interests of the company.

The Early Detection of Risk Committee convened six (6) times in 2020 and presented its reports containing information about its activities and the results of the meetings held during the year to the Board of Directors.

Early Detection of Risk Committee

Osman AKSOY President

Prof. Dr. M. Ege YAZGAN Member

5.6. Risk Management and Internal Control

The Risk Management of the Company is carried out by the Early Detection of Risk Committee established within the Board of Directors.

The aim is to ensure sustainable profitability and growth, to minimize income fluctuations, to make more reliable risk decisions, to ensure that opportunities and threats are better determined, to increase competitiveness, to use effective resources, to comply with laws and regulations, to protect reputation and trust, to maintain the quality of corporate governance, to increase the value of the company which consists of pre-determining, evaluating and controlling possible events and situations in order to provide reasonable assurance of the Company to achieve its goals.

The Board of Directors creates internal control systems, including risk management and information systems and processes that can minimize the effects of risks that may affect the Company's stakeholders, especially shareholders, by taking into account the opinions of the Board of Directors committees.

In this context, the Board of Directors has established an Audit Committee and a Corporate Governance Committee consisting of 2 independent members. The Audit Committee submits problems and solutions proposals regarding risk management and internal control management to the Board of Directors when needed.

The Corporate Governance Committee, on the other hand, is in constant consultation with the Audit Committee and is responsible for determining the risks that our Company may be exposed to in advance and taking the necessary measures in the light of the information regarding the internal control management and reports them to the Board of Directors.

Compliance with Corporate Governance Principles Report

5.7. Strategic Goals

The strategic goals of the Company are determined by the Board of Directors and updated in accordance with the general market conditions.

Suggestions for strategic goals are reported to the Board of Directors and efforts are made to implement the goals as soon as possible.

The degree of achievement of the targets is measured by monitoring the activities realized in the financial statement periods and at the end of the year; in addition, if a decision is taken and put into effect, the development of the process is monitored by making the necessary controls during the transaction process.

In this context, the Board of Directors makes an annual evaluation once a year in order to review the level of achievement of the Company's goals, activities and past performance, and ensures that the necessary action plans are carried out according to the result.

5.8. Information on the Auditor Institution

It was unanimously decided at the General Assembly held in 2020 by the Board of Directors to elect PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Company (a member of PricewaterhouseCoopers) in order to audit the financial statements of our Company for the year 2020, in accordance with the Capital Markets Legislation and the provisions of the relevant legislation and in line with the opinion of the Audit Committee..

5.9. Financial Rights

The Board of Directors is responsible for the Company's achievement of the performance targets.

Reward and remuneration are performed by taking into account the evaluations regarding whether the company has reached its operational and financial performance targets.

The Performance and Remuneration Policy for the board of directors and senior executives prepared for this purpose is available on the corporate website of the Company.

Dividends, share options or payment plans based on the Company's performance are not used in the remuneration of the Independent Members of the Board of Directors. The wages of the Independent Members of the Board of Directors are tried to be determined at a level that will preserve their independence, and their wages are determined at the General Assembly meeting.

The Company does not lend money, extend credit or give any guarantees such as surety in favor of any Board Member or senior executives.

The financial benefits provided to the General Manager and Members of the Board of Directors in 2020 are given in the table below.

Total Financial Benefits in 2020 (TL)

Members of the Board of Directors and General Manager	851,570
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Compliance with Corporate Governance Principles Report

PART VI – OTHER INFORMATION

6.1. Lawsuits Filed Against the Company

There is no lawsuit filed against the Company within the relevant period, which may affect the financial status and activities of the Company.

6.2. Legislation and Articles of Association Amendments

There are no legislative and articles of association amendments that could significantly affect the Company's activities within the relevant period..

6.3. Acquired Shares

Aciselsan has 20,450 own shares, which are acquired.

6.4. Shares and Bonds Issued

There were no shares or bonds issued by the Company within the relevant period.

6.5. Requests of the Shareholders for Adding an Item to the Agenda

For the Ordinary General Assembly meeting where the activities of 2019 will be discussed, no request has been received from the shareholders to add an item to the agenda.

6.6. Conflicts of Interest between the Company and the Institutions from which it Provides Service

There is no relationship that will cause any conflict of interest between the companies from which it has received consultancy services for the relevant period.

6.7. Research and Development Activities

R&D activities of the company for the development of carboxymethyl cellulose derivatives and improvement of product quality are carried out in its own laboratory.

6.8. Private and Public Audits

In our Company during the 2020 accounting period, internal controls were carried out in accordance with the internal regulations of the Company with the independent audit conducted within the scope of the legislation.

The 2-year-valid environmental audit carried out by the Ministry of Environment and Urbanization in the last operating year of the company also covers the relevant period.

All activities were carried out in accordance with the legislation of the CMB and the Ministry of Environment and Urbanization, and the necessary reporting was made.

6.9. Significant Developments After the Related Period

Within the framework of the sustainability policies followed as a subsidiary of Verusa Group, Aciselsan, within the scope of its environmentally sensitive and regulatory activities, has been certified by the independent audit firm on 26.01.2021, the management system certificates defined by the international standards ISO 14001, ISO 45001 and ISO 10002, which it started to work on in 2020.

STATEMENTS OF INDEPENDENT BOARD MEMBERS

Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş.
To the Board of Directors;

- Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. (Aciselsan); I submit to the information of our Board of Directors, our partners and all related parties that ; Among the partners who have the management control of Aciselsan or the partnerships in which Aciselsan has a significant influence, and the partners who have the management control of the company or who have significant influence in the company and the legal entities and myself, my wife and up to the second degree blood and affinity relatives, there is no employment relationship in the managerial position that will assume important duties and responsibilities in the last five years, more than 5% of the capital or voting rights or privileged shares are not owned or individually owned or a significant commercial relationship has not been established,
- I am not a shareholder of 5% or more, a member of the board of directors or working in managerial positions to assume important duties and responsibilities within the last five years, especially in the companies that have audited, rated and consulted Aciselsan, during the time the service or product is purchased by or sold to Aciselsan within the framework of the agreements made,
- I have the professional education, knowledge and experience to fulfill the duties I will undertake as an independent board member,
- Except for being a university lecturer, provided that it complies with the legislation to which they are bound; I am not working full time in public institutions and organizations after being elected as a member,
- I will be able to devote enough time to company affairs to be able to follow the operation of Aciselsan activities and to fully fulfill the requirements of the tasks I have undertaken,
- I am considered settled in Turkey, according to the Income Tax Law,
- I have strong ethical standards, professional reputation and experience that can make positive contributions to the activities of Aciselsan, maintain my impartiality in conflicts of interest between the Company and the shareholders, and decide freely by taking into account the rights of the stakeholders,
- I have not been a member of the board of directors of Aciselsan for more than six years in the last ten years,
- I am not an independent member of the board of directors in more than three of the companies of Aciselsan or the companies for which shareholders controlling the management control of Aciselsan control the management, and more than five of the companies traded on the stock exchange in total,
- I have not been registered and announced on behalf of the legal person elected as a member of the board of directors,

Best Regards,

Prof Dr. M. Ege YAZGAN

STATEMENTS OF INDEPENDENT BOARD MEMBERS

Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş.
To the Board of Directors;

- Aciselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. (Aciselsan); I submit to the information of our Board of Directors, our partners and all related parties that ; Among the partners who have the management control of Aciselsan or the partnerships in which Aciselsan has a significant influence, and the partners who have the management control of the company or who have significant influence in the company and the legal entities and myself, my wife and up to the second degree blood and affinity relatives, there is no employment relationship in the managerial position that will assume important duties and responsibilities in the last five years, more than 5% of the capital or voting rights or privileged shares are not owned or individually owned or a significant commercial relationship has not been established,
- I am not a shareholder of 5% or more, a member of the board of directors or working in managerial positions to assume important duties and responsibilities within the last five years, especially in the companies that have audited, rated and consulted Aciselsan, during the time the service or product is purchased by or sold to Aciselsan within the framework of the agreements made,
- I have the professional education, knowledge and experience to fulfill the duties I will undertake as an independent board member,
- Except for being a university lecturer, provided that it complies with the legislation to which they are bound; I am not working full time in public institutions and organizations after being elected as a member,
- I will be able to devote enough time to company affairs to be able to follow the operation of Aciselsan activities and to fully fulfill the requirements of the tasks I have undertaken,
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- I have strong ethical standards, professional reputation and experience that can make positive contributions to the activities of Aciselsan, maintain my impartiality in conflicts of interest between the Company and the shareholders, and decide freely by taking into account the rights of the stakeholders,
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- I have not been registered and announced on behalf of the legal person elected as a member of the board of directors,

Best Regards,

Osman AKSOY