



Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

Corporate Governance Rating Report



28 August 2023

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Rating and Executive Summary

PASHA BANK A.Ş.



Corporate Governance Rating:

9.39



MAIN SECTIONS: **Ort. 93.95**

Shareholders : 92.03



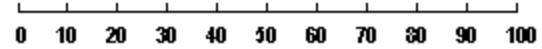
Public Disclosure & Transparency : 96.20



Stakeholders : 93.52



Board of Directors : 93.89



EXECUTIVE SUMMARY

The Corporate Governance Rating score for PASHA Yatırım Bankası A.Ş. (PASHA Bank) has been determined as 9.39. SAHA's rating methodology is based on the Capital Markets Board's ("CMB") "Corporate Governance Principles" released on January of 2014.

The Bank's corporate governance rating has shaped up as above in consideration with the importance given by PASHA Yatırım Bankası A.Ş. to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. PASHA Bank is analyzed as a Turkish Bank and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on July 12, 2023 can be accessed at <http://www.saharating.com>.

PASHA Bank is rated with **9.20** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. The Bank conducts its relations with shareholders through the Investor Relations Department. There is no provision in the Articles of Association for the appointment of a special auditor, but there are no hindering practices. A disclosure policy for shareholders has been established and submitted to the general shareholders' meeting. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation. The Bank submitted its donations and grants policy to the general shareholders' meeting for approval. There are no voting privileges. The Bank has a specific and consistent dividend distribution policy submitted to the general shareholders' meeting for approval, and disclosed to the public. There is no provision on advance dividend payments in the Bank's Articles of Association. There are also no restrictions on free transfer of shares.

PASHA Bank attained **9.62** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site which includes all information listed in the Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are carried out via all communications channels and are in accordance with the CMB and Borsa Istanbul (BIST) rules and regulations. The Bank's shareholding structure; the names and rate of shares held by the Bank's individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public. All benefits provided to Board members and senior executives is mentioned collectively in the Annual Report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, PASHA Bank scored **9.35**. PASHA Bank guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is established and disclosed to public on the corporate web site. The Bank has a written and developed human resources policy and a set of ethical codes, both disclosed to the public on the corporate web site. PASHA Bank complies with environmental laws. In this context, a comprehensive Sustainability, Environment and Social Responsibility Policy has been established. During the reporting period, the Bank has not been held liable by public authorities for any practice or any adverse notification for environmental damage.

From the perspective of the principles regarding the **Board of Directors**, PASHA Bank's tally is **9.39**. Board of Directors fulfills all duties regarding Company needs. The Chairman of the Board of Directors and the Chief Executive Officer are not the same person. The 10-member Board includes 3 independent and 2 female members. The opinion of the Corporate Governance Committee has been taken in determining the independent members and CMB criteria have been complied with, and written declarations of independence have been submitted. Each member of the Board of Directors has 1 voting right. In addition to the Corporate Governance, Audit, Risk Management, Nomination and Remuneration Committees; Credit, Strategy and Budget, and Human Resources Committees are also established within the Board of Directors. Working principles of the Committees are disclosed to the public. Principles of remuneration of Board members and senior executives are available on the Bank's web site. The Bank does not lend any funds or extend any credits to the members of the Board of Directors or senior executives.

Rating Methodology

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

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Bank's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Bank officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a Bank should be in full and perfect compliance with the Principles (see Rating Definitions, p.23).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**


Public Disclosure and Transparency: **25%**

Stakeholders: **15%**

Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

PASHA Yatırım Bankası A.Ş.	
	CHAIRMAN OF THE BOARD Jalal Gasimov GENERAL MANAGER Hikmet Cenk Eynehan
PASHA Plaza, Sultan Selim Mahallesi, Hümeyra Sokak, No:2/7, 34415, Kağıthane, Istanbul Tel: (0212) 705 8900 www.pashabank.com.tr	Investor Relations Department Ender Sözer Tel: (0212) 705 8912 ender.sozer@pashabank.com.tr

PASHA Yatırım Bankası A.Ş. was established in Istanbul in 1987 under the title Yatırım Bank A.Ş. as Turkey's first investment bank with foreign capital, and operated under the management of different capital groups until 2015.

In 2015, after PASHA Bank OJSC, a Baku-based regional financial institution and Azerbaijan's highest capitalized private bank, acquired the majority shares of the Bank, its title was changed to PASHA Yatırım Bankası A.Ş., trading as PASHA Bank. In 2018, the Bank's paid-in capital increased to TL 500 million after PASHA Holding LLC, the Bank's controlling shareholder, acquired a 49% direct stake. PASHA Bank operates from its head office located in Istanbul and does not have any branches.

PASHA Bank provides services to entrepreneurs through its corporate and investment banking products, to contribute to the development of trade between Turkey, Azerbaijan and Georgia, and to provide resources and guidance to businesses investing in the region.

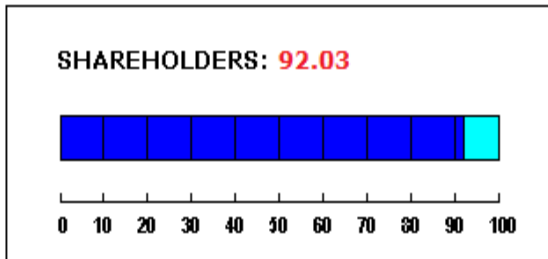
As of the report date, the capital structure of the Bank is as follows:

Capital Structure of the Bank		
Shareholders	Share Value (TL)	Share %
PASHA Bank OJSC	254,795,121	50.96
PASHA Holding Ltd	245,000,000	49.00
Sheikh Abdullah Mohammed BAROOM	40,975	0.008
Iqbal G.MAMDANI	40,975	0.008
Sheikh Abdulrahman AL JERAISSY	40,975	0.008
Sheikh Abdulaziz AL RASHED	40,975	0.008
First Anglo Holdings Ltd.	40,975	0.008
Syed Shezad ABEDI	2	0
Sheikh Ahmed Mohammed BAROOM	2	0
Total	500,000,000	100.00

The task distribution on the Board of Directors as of the date of our report is as follows:

PASHA Yatırım Bankası A.Ş. Board of Directors	
Members	Title
JALAL GASIMOV	Chairman of the Board of Directors Non-Executive Nomination and Remuneration Committee Member
FARID MAMMADOV	Deputy Chairman of the Board of Directors Non-Executive
SHAHIN MAMMADOV	Board Member Non-Executive Chairman of Strategy and Budget Committee Human Resources Committee Member Corporate Governance Committee Member Credit Committee Alternate Member
JAVID GULIYEV	Board Member Non-Executive Credit Committee Member
KAMALA NURIYEVA	Board Member Non-Executive Audit Committee Member Risk Management Committee Member
ROVSHAN ALLAHVERDIYEV	Board Member Non-Executive Chairman of the Nomination and Remuneration Committee Chairman of the Human Resources Committee Strategy and Budget Committee Member Credit Committee Alternate Member
EBRU OĞAN KNOTTNERUS	Independent Board Member Non-Executive Chairwoman of the Risk Management Committee
NURI TUNCALI	Independent Board Member Non-Executive Credit Committee Member
FURKAN EVRANOS	Independent Board Member Non-Executive Chairman of the Corporate Governance Committee Chairman of the Audit Committee
HIKMET CENK EYNEHAN	Board Member Executive Officer Nomination and Remuneration Committee Member Chairman of the Credit Committee Strategy and Budget Committee Member Human Resources Committee Member

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	No upper limit on voting
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	Detailed dividend distribution policy
+	No restrictions on transfer of shares
+	Policy on donations and grants is established and submitted to the general shareholders' meeting for approval
=	The rate stipulated in the legislation has been adopted for minority rights

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

At PASHA Bank, the Investor Relations Unit reports to the Corporate Governance Committee and the Board of Directors on the activities conducted. Mr. Ender Sözer is the Director responsible for Treasury, Financial Institutions and Investor Relations.

The Investor Relations Department maintains healthy and up-to-date shareholder records, responds to shareholders' written requests for information, ensures that the general shareholders' meeting is held in accordance with applicable legislation, the Articles of Association and other Bank regulations, prepares documents that may be used by shareholders at the general shareholders' meeting and reports to the Board of Directors on its activities.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no provision in the Bank's Articles of Association regarding the request for the appointment of a special auditor; however, no such request has been received during the reporting period and there is no evidence of any hindering process or application regarding the conduct of a special audit.

In order to expand shareholders' rights to obtain information, all information that may affect the exercise of such rights is made available to all shareholders on an up-to-date basis and a disclosure policy for shareholders has been established, and submitted to the general shareholders' meeting. No dispute has been brought to court on the grounds that shareholders' requests for information and review have been left unanswered or rejected unfairly.

1.3. General Shareholders' Meeting:

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting is performed through all means of

communication available to the Bank, and in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting, without any ambiguity exact location of the meeting, agenda items of the meeting, the body inviting to the general shareholders' meeting, and the exact location where the Annual Report, financial statements and other meeting documents can be examined. A descriptive disclosure document on agenda items has also been prepared.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the Annual Report, financial statements and reports, and all other related documents pertaining to the agenda items are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Bank, and the electronic media. The total number of shares and voting rights reflecting the Bank's shareholding structure, information on the election of the members of the Board of Directors and their resumes are disclosed.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

The general shareholders' meeting was held at the Bank's headquarters and the items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and submit questions.

The members of the Board of Directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

The Bank has established a policy on donations and grants and submitted it to the general shareholders' meeting for approval. Meeting minutes are available in writing, and accessible to all shareholders at all times on the Bank's web site.

1.4. Voting Rights:

The Bank avoids practices that make it difficult to exercise the voting right and all shareholders, including those who reside abroad, are given the opportunity to exercise their rights conveniently and appropriately.

There are no voting privileges. There is no provision stipulating that voting rights are exercised after a certain period of time from the date of acquisition.

1.5. Minority Rights:

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

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

1.6. Dividend Rights:

The dividend policy of the Bank is clearly defined and disclosed to public on the corporate web site. It is

submitted to the shareholders at the general shareholders' meeting and is incorporated in the Annual Report. The dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

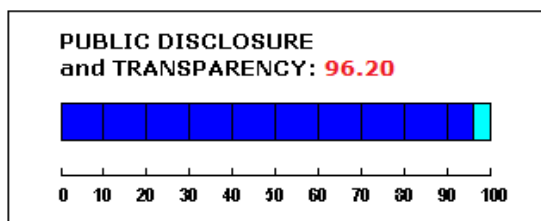
The dividend distribution policy contains minimum information clear enough for shareholders to predict any future dividend distribution procedures and principles. The dividend distribution proposal also included all the necessary information.

There is no provision regarding advance dividend payments in the Bank's Articles of Association.

1.7. Transfer of Shares:

Except for the provisions of the BRSA (Banking Regulation and Supervision Agency), the Articles of Association do not contain any provisions that impede the transfer of shares.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive web site, actively used for public disclosure
+	All Bank policies, financial reports, general assembly information, ethical principles, Committees and their working principles are available on the web site
+	Annual Report complies with the legislation, comprehensive and informative
+	Agreement and studies conducted with external auditors comply with the legislation
+	English version of the web site for international investors
+	Declarations of independence of the independent Board members are included in the Annual Report
+	Names and rate of shares held by the Bank's individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public
=	Benefits provided to Board members and senior executives are disclosed to the public collectively, but not on individual basis

2.1. Corporate Web Site:

Bank's web site is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the corporate web site includes; trade register information, information about latest shareholder and management structure, amendments to the Bank's Articles of Association and its final version, financial reports, annual reports, and other public disclosure documents for the last 5 years, independent audit report, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, information on senior management, ethical principles, disclosure - confidentiality - profit distribution - compensation - remuneration - conflict of interest - business continuity - risk management - order execution - personal data protection - fraud prevention, and corporate governance policies. However, information requests, questions and notices received by the Bank under the heading of frequently asked questions, and responses thereof are not included. The names and rate of shares held by the Bank's individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public.

The Bank's web site also includes information on the Committees established within the Board of Directors, working principles of the Committees, donations and grants policy, the vision and mission of the Bank established by the Board of Directors, corporate social responsibility activities, information on senior management, financial data, main ratio analysis, web site privacy

and terms of use, and human resources policy.

Sustainability, environment and social responsibility policy is available on the corporate web site, but there are no sustainability reports.

The information contained on the web site exists also in English for the benefit of international investors and is identical to the Turkish content.

2.2. Annual Report:

Annual Report is prepared in detail by the Board of Directors to provide public access to complete and accurate information on the Bank and covers information such as;

- a. Period covered by the Report, the title of the Bank, trade register number, contact information,
- b. The names and surnames of the chairman and members served on the Board and supervisory boards during the covered period and their limits of authority,
- c. The sector in which the Bank operates and information on its position in this sector,
- d. Qualifications of the departments of the Bank, general explanations related to their activities and performances, and yearly developments,
- e. Progress on investments,
- f. Information on related party transactions,
- g. Other issues not included in the financial statements, but are beneficial for users,
- h. Bank's organization, capital and ownership structure and the

changes in the related accounting period,

- i. Benefits provided to staff and workers, information on number of personnel,
- j. Explanations on privileged shares and voting rights of shares,
- k. The dividend distribution policy,
- l. Basic ratios on the financial position, profitability and solvency,
- m. Bank's financing resources and risk management policies,
- n. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the content specified in the legislation, the following also took place in the Annual Report:

- a. External duties of Board members and executives,
- b. Members of the Committees within the Board, meeting frequency and their working principles along with the activities carried out, assessment of the Board of Directors on the effectiveness of the Committees,
- c. The number of Board meetings held during the year and participation status of the members,
- d. Major law suits filed against the Bank and possible consequences,
- e. Information on cross shareholding in excess of 5% of the capital,
- f. Benefits and vocational training of employees, and other Bank

activities that give rise to social and environmental results,

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

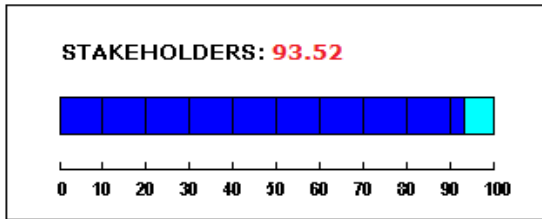
2.3. External Audit:

The external audit of PASHA Bank is conducted by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period.

No consulting Bank in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Compensation is provided in case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts
+	Efficient Human Resources Policy
+	Quality standards are complied with in services
+	Ethical rules are comprehensive and publicly disclosed
+	A written employee compensation policy is established and disclosed to the public on the web site
=	The Bank complies with environmental laws. In this regard, there is a comprehensive Sustainability Environmental and Social Responsibility Policy, but no Sustainability Report
=	Principles for stakeholders' participation in management are included in internal regulations, but not in the Articles of Association
-	No unionization among employees. The Bank has no action plan in this regard
-	No succession planning for the determination of newly appointed managers

3.1. Bank Policy Regarding Stakeholders:

In its operations and activities, the Bank protects the rights of stakeholders

regulated by legislation and mutual agreements. In cases where the rights of stakeholders are not protected by legislation and mutual agreements, the interests of stakeholders are protected within the framework of goodwill rules and to the extent of the Bank's capabilities. It has been observed that the Bank's corporate governance practices are at a high level and such rights are guaranteed. In addition, in case of violation of the rights of stakeholders, an effective and prompt compensation is provided.

The Bank has established an employee compensation policy and disclosed it to the public through the corporate web site. The Bank's web site is actively used to provide adequate information on the Bank's policies and procedures regarding the protection of stakeholders' rights.

Stakeholders are informed by the Bank on matters concerning them through the minutes of the general shareholders' meetings, annual reports, meetings and electronic mail, without prejudice to the provisions of the "Disclosure Policy". No conflict of interest has arisen between the stakeholders in the last year.

Limits and procedures are defined for extending loans to the staff, other employees and real and legal persons in the risk group to which the Bank belongs.

3.2. Stakeholders' Participation in the Bank Management:

Models have been developed to support the participation of stakeholders in the Bank's management without impeding operations of the Bank. In addition, these models are included in the Bank's

internal regulations. Participation of employees in decision processes is ensured through the "Employee Satisfaction Survey" system. Bank employees can use all kinds of communication channels to participate in the management.

Models supporting the participation of employees in management are regulated in the Bank's internal legislation document titled "Human Resources Policy", but not included in the Articles of Association. Regulations concerning all stakeholders are included in the "Ethical Principles Regulation" and Corporate Governance Policy. In addition, an internal notification system has been established enabling all stakeholders to directly contact the Compliance Unit. The Compliance Unit Manager shares the situations that create a conflict of interest, which he has been notified or identified, with the Audit Committee via the Compliance Report and notifies the Human Resources Unit and the Internal Audit Unit. The Human Resources Unit is obliged to report to the Human Resources Committee the cases of conflict of interest reported to it by the Compliance Unit, together with the solution and action plan determined by the Head Office Committees.

3.3. Bank Policy on Human Resources:

The Bank has a written human resources policy and offers equal opportunity to persons with the same qualifications in recruitment and career planning.

The Bank has declared that efforts are underway to develop a formal succession plan for all key positions and posts.

The main principles of the human resources policy are as follows:

a) Provide the qualified and competent human resources needed in line

with the Bank's objectives and strategies and its corporate values,

- b) Have employees who adopt corporate culture and corporate values and comply with ethical principles,
- c) Ensure through an effective performance management system that the staff perform efficiently,
- d) Create a learning organization in line with the Bank's strategy, business objectives and mission by supporting the professional and personal development of all staff,
- e) Reinforce the corporate culture by preparing the staff working in the Bank for managerial positions,
- f) Contribute to the enhancement of the bank performance by rewarding high performance,
- g) Provide opportunities for career development by prioritizing existing staff in case of vacancy,
- h) Increase employee commitment by implementing an open and transparent Human Resources Management System,
- i) Ensure continuous improvement by taking into account all requests, complaints and suggestions by the staff,
- j) Create an effective and motivated organization by ensuring employee satisfaction,
- k) Provide the staff with the wages and fringe benefits according to the current conditions in line with the market and the Bank's budget,
- l) Increase the commitment to the organization,

m) Ensure that the common goals of the bank are adopted by all staff,

n) Provide the staff with a safe, healthy and spacious work environment that would encourage creative thinking and generating new ideas.

The criteria for hiring employees are documented in writing and the Bank complies with these criteria.

All employees are treated with fairness and equality, training programs are provided to enhance employee knowledge, skills and conduct, and training policies are formulated.

Informative meetings are organized for employees about the Bank's financial position as well as compensation, career, training and health related issues where opinions are exchanged.

Employees or their representatives are notified of the decisions taken regarding the employees or the developments concerning the employees.

There is no union organization among the employees and the Bank does not have a regulation on the freedom of association and the support of the right to collective bargaining.

Job descriptions and distribution of tasks as well as performance and rewarding criteria are announced to the employees.

Productivity is a major criterion in determining the salary and other benefits provided.

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

environment and conditions are provided for employees.

PASHA Bank provided its employees with an average of 6 days of training per employee in 2022.

3.4. Relations with Loan Customers, Depositors and Lenders:

Measures to ensure customer satisfaction in the marketing and sales of the Bank's services have been taken within the framework of the "Sustainability, Environment and Social Responsibility Policy".

Requests for banking products and services are met promptly and customers are informed about delays without waiting for the deadline.

Quality standards are complied with in banking services and care is taken to maintain these standards. The Bank adheres to quality standards for goods and services.

The Bank has controls in place to protect the confidentiality of sensitive information of customers and suppliers within the scope of trade secrets.

It has been declared that the Bank takes into consideration the institutionalization of the legal customers to which it extends loans, and in doing so, pays attention to the audited financial data of the companies within the framework of the Corporate Governance Principles, and to the approaches in the distribution of duties and authorities.

Necessary measures have been taken within the scope of information security and relevant regulations and procedures are in place.

3.5. Ethical Rules & Social Responsibility:

The Bank has a set of ethical rules disclosed to the public via its web site.

The Bank attaches importance to corporate social responsibility projects and carries out these projects through joint projects with non-governmental organizations and public social institutions.

The Bank has a Sustainability, Environment and Social Responsibility Policy in line with environmental laws and environmental responsibility awareness in general.

The Bank also supports and respects internationally recognized human rights.

The Bank fights against all forms of corruption, including extortion and bribery.

In accordance with the Misconduct Prevention Policy, the following tools and methods are used to prevent misconduct before it occurs and to detect it after it occurs:

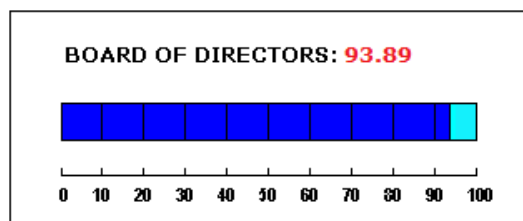
- External Audit of Financial Statements and Financial Reporting
- Top Management Approved Financial Reporting
- Authorization Limits
- Ethical Principles Regulation
- Independent Audit Committee
- Line for Informing Misconduct
- Misconduct Training for Personnel and Managers
- Misconduct Prevention Policy
- Official Misconduct Prevention Assessments
- Internal Audit and Internal Control Implementations
- Surprise Audits
- Overseeing
- Physical Investigation and Agreements
- Information Security Policies

- Personnel Policies
- Resume Reference Controls
- Rotation / Compulsory Leave

3.6. Sustainability:

A Sustainability, Environment and Social Responsibility Policy has been established in order to determine the general framework of the social and environmental management system and the basic principles that the Bank must comply with in this context. The standards set out in the policy are also intended to meet the obligations arising from regulations issued by legal and regulatory authorities. The policy complements the Bank's other corporate governance policies and procedures in relation to the standards it contains. However, the Bank does not have a Sustainability Report.

SECTION 4: BOARD OF DIRECTORS



- Both the Chairman of the Board and the General Manager are on the Committees

4.1. Functions of the Board of Directors:

Strategic decisions of the Board of Directors aim to manage the Bank's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of PASHA Bank. The Board administers and represents the Bank within these parameters.

The Board of Directors has defined the Bank's strategic goals and identified the needs in human and financial resources, and controls management's performance.

4.2. Principles of Activity of the Board of Directors:

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

Distribution of tasks between the members of the Board of Directors is explained in the Annual Report.

The Board of Directors has established internal control systems, including risk management and information systems and processes, by taking into consideration the opinions of the relevant Board Committees. Within this framework, the Board of Directors reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and

SYNOPSIS	
+	The Board of Directors periodically reviews the effectiveness of risk management and internal control systems
+	Chairman of the Board and CEO/general manager are not the same person
+	Only 1 executive member on the 10-member Board
+	3 independent Board members
+	Board of Directors meets with sufficient frequency and its working principles are documented in writing
+	Each member is entitled to 1 vote
+	Principles of remuneration of Board members and senior executives are established and disclosed to the public
=	There is a regulation regarding the compensation of the losses incurred by the Bank and third parties due to the failure of the executives with administrative responsibility to fulfill their duties duly, but the sum insured does not exceed 25% of the Bank's capital, and no relevant disclosure posted on PDP (Public Disclosure Platform)
-	No target ratio nor time has yet been set for the rate of female Board members

internal audit are explained in the Annual Report.

Chairman of the Board and CEO/general manager's executive powers are clearly separated and this separation is documented in the Articles of Association, and the Board Charter. In this sense, chairman of the Board and the CEO/general manager are not the same person. Furthermore, there is no individual in the Bank who has unlimited authority to take decisions on his/her own.

4.3. Structure of the Board of Directors:

Board of Directors of PASHA Bank is composed of 10 members. All of the members, except the general manager, are elected from among the non-executive members. There are 3 independent members who have the ability to execute their duties without being influenced under any circumstances. Tenure of office for independent members is designated as 3 years and all of them possess the independence qualifications specified in the Corporate Governance Principles.

The Nomination and Remuneration Committee has evaluated the nominations of candidates for independent membership, including those of the management and shareholders, by taking into consideration whether or not the candidate meets the independence criteria, and has submitted a report to the Board of Directors for its approval.

CMB criteria are complied with in determining independent candidates. Independent candidates for the Board of Directors have each signed a declaration of independence within the framework of the legislation, Articles of Association, and the CMB criteria.

A target rate and time has not yet been set for the rate of female members in

the Board of Directors. There are two female members in the Bank's Board of Directors as of the date of this report.

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

The Board of Directors convenes frequently enough for the Company's business. The Corporate Secretariat Unit has been assigned to determine the agenda of the Board of Directors meetings, prepare the resolutions, inform the members of the Board, and ensure communication.

The issues requested to be discussed at the Board of Directors are collected and consolidated at the Corporate Secretariat and the agenda is set in line with the Chairman's approval.

As of July 2021, the Electronic Board of Directors System has been in use.

Information on the agenda items of the Board of Directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information.

The conduct of the Board of Directors' meetings is stipulated in the Corporate Governance Policy and the meeting and decision quorums are set forth in the Articles of Association. Each member of the Board of Directors has one vote.

It has been stated by the Bank officials that the members of the Board of Directors take care to allocate the necessary time for the Bank's affairs. There is no restriction on the members taking on external duties or tasks. It has been declared that this situation does not create a conflict of interest or damage the Bank's business.

External duties of the Board members are presented to the shareholders at the general shareholders' meeting via the Annual Report, and the disclosure document.

4.5. Committees Established Within the Board of Directors:

In addition to the Corporate Governance, Audit, Risk Management, Nomination and Remuneration Committees; Credit, Strategy and Budget, and Human Resources Committees are also established within the Board of Directors. Committees are composed of at least two members.

With the exception of one member, the majority of the Committee members are non-executive. The Chairman of the Board and the Chief Executive Officer are members of the Committees.

Functions of the Committees, their working principles, and members are designated by the Board of Directors and disclosed to public on the corporate web site.

Members of the Audit and Corporate Governance Committees are elected from among the independent members of the Board of Directors. The chairman of the Nomination and Remuneration Committee is not an independent Board member.

Mostly, care is taken that a member of the Board of Directors does not take office in more than one Committee.

All necessary resources and support required for the Committees to fulfill their duties are provided by the Board of Directors and all their activities are documented in writing and their records are kept. Meeting frequency of the Committees is adequate. The Committees submit reports to the Board of Directors containing information on their activities and meeting results.

Audit Committee supervises the operation and efficiency of the Bank's accounting system, public disclosure, external audit and internal audit

systems, reviews complaints that are received by the Bank regarding Bank accounting, internal and external independent audit systems and finalizes them. The Committee also determines the methods and criteria to be applied for the evaluation of the Bank's employees' notifications on accounting and independent auditing in the framework of confidentiality principle. In addition, notifies the Board of Directors in writing about their findings, assessments and recommendations related to their area of responsibility. Following taking the opinion of responsible managers of the Bank and the external auditor, the Audit Committee notifies the Board in writing on whether the annual and interim statements to be disclosed to the public is in accordance with the Bank's accounting principles, true and accurate.

The Annual Report contains information on the working principles of the Audit Committee and the number of written notifications given to the Board of Directors within the accounting period. The results of the meetings are also disclosed in the Annual Report. The independent audit firm and the services to be received are determined by the Audit Committee and submitted to the approval of the Board of Directors.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Bank, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the Board of Directors. In addition, it oversees the work of the Investor Relations Department.

The Nomination and Remuneration Committee works to establish a

transparent system for the identification, evaluation and training of suitable candidates for the Board of Directors and managerial positions with administrative responsibilities, and to determine policies and strategies in this regard. Likewise, the Committee regularly evaluates the structure and efficiency of the Board of Directors and submits its recommendations to the Board regarding possible changes in these matters. In addition, it determines the principles, criteria and practices to be used in the remuneration of the members of the Board of Directors and managers with administrative responsibilities, taking into account the long-term goals of the Bank, and monitors them. Taking into account the degree of achievement of the criteria used in remuneration, the Committee submits its recommendations to the Board of Directors regarding the remuneration to be paid to the members of the Board in addition to the executives with administrative responsibilities.

The Risk Management Committee, appointed to ensure the establishment of an effective risk management system, determines PASHA Bank's risk management policies and strategies, reviews all types of credit, market, strategic, operational and financial risks to which the Bank is exposed, monitors the implementation of risk management strategies and presents significant risk issues to the Board of Directors for evaluation.

The Committee achieves early identification of risks that may jeopardize the Bank's existence and continued development, implements the necessary measures identified with the associated risks and conducts studies to manage such risks. The report prepared by the Risk Management Unit is submitted to the Risk Management Committee once a month.

4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:

The Chairman of the Board and the Managing Director's assessment of the period under review and their expectations for the future are included in the Annual Report.

The principles of remuneration of the members of the Board of Directors and executives with administrative responsibilities have been documented in writing and presented to the shareholders as a separate item on the agenda of the general shareholders' meeting. The shareholders have been given the opportunity to express their opinions on this issue.

A remuneration policy prepared for this purpose can be found on the corporate web site. Dividends, stock options or performance-based payments are not included in the remuneration package of the independent Board members.

The Bank did not lend any funds or extend any credits to a member of the Board or to senior executives, or granted any personal loans through a third party, nor extended any guarantees.

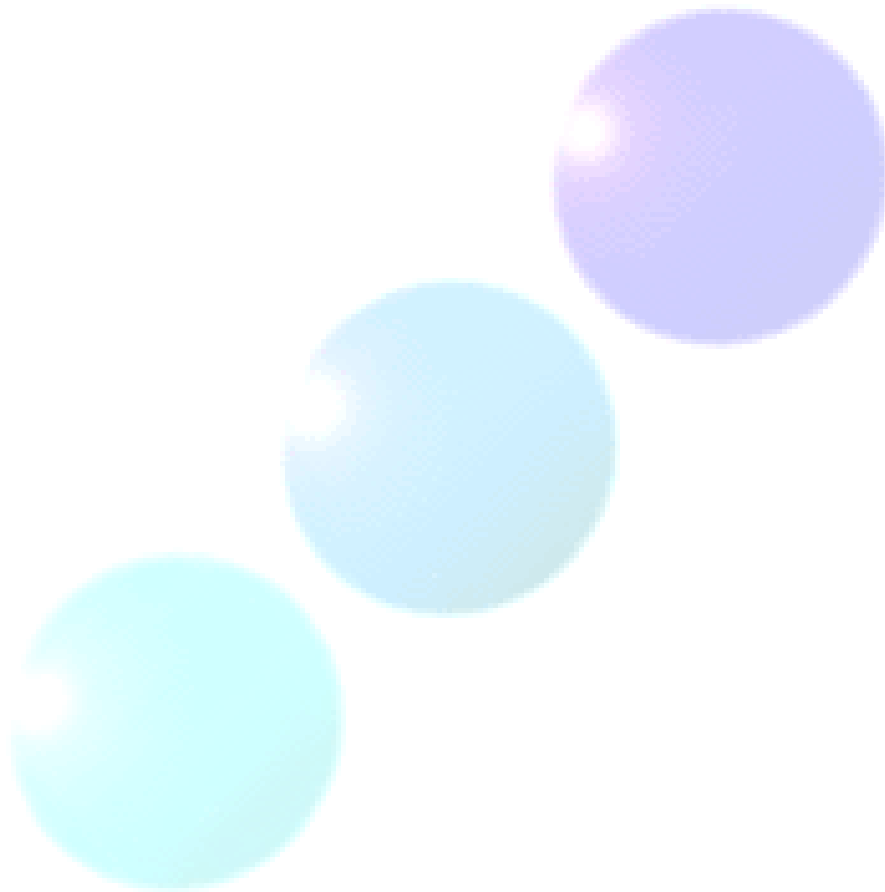
There is a regulation on indemnification of losses incurred by the Bank and third parties due to Board members and managers with administrative responsibility not performing their duties duly.

The remuneration of executives is commensurate with their qualifications and their contribution to the Bank's success and is determined according to market conditions.

There have been no cases where the executives used confidential and non-public Bank information in favor of themselves or others. There are no executives who accepted a gift or favor

directly or indirectly related to the Bank's affairs, and provided unfair advantage.

Orientation process for newly appointed managers is determined in writing in the Bank's Human Resources Policy.



Rating Definitions

Rating	Definition
9 - 10	The Bank performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The Bank's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The Bank performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The Bank performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The Bank performs weakly as a result of poor corporate governance policies and practices. The Bank has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The Bank performs very weakly and its corporate governance policies and practices are overall very poor. The Bank shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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