

## Corporate Governance Compliance Report of 2019

### SECTION I – Corporate Governance Compliance Statement

All our Company's activities are carried out by adopting the concepts of *Equality, Transparency, Accountability* and *Responsibility*, which are the four main components of "Corporate Governance Principles" regulated by the legal regulations and the Capital Market Board and observes compliance with the said principles. Our Company pays strict attention to implementing the "Corporate Governance Principles" published by the Capital Market Board (CMB) and the Corporate Governance Regulations of the Turkish Commercial Code.

Our company applies to all of the Corporate Governance Principles that are obligated to be implemented and carries out the necessary studies diligently to stick to optional principles. Some rare principles that are not applied do not cause any conflicts of interests. There is no conflict of interest that occurred during the year by reason of non-implementation of optional principles.

Our company has the necessary sensitivity in compliance with Corporate Governance Principles. The Committee's primary duties are to monitor compliance with Corporate Governance Principles, to undertake improvements in this regard and to offer suggestions to the Board of Directors.

Within the scope of the evaluation of the compliance level of our Company with Corporate Governance Principles, our corporate governance rating was set as "93.07" by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) within the scope of their examination in 2019. Our Company's notes taken from 4 main sections: It is as Shareholders with 94.90, Public Disclosure and Transparency with 95.17, Stakeholders 94.36, Board of Directors 89.72. The rating report prepared by SAHA is placed under the heading "Rating Notes" in the "Investor Relations" section of the Company website.

As per Capital Markets Board Decision 2/49 dated 10.01.2019, Corporate Governance Compliance reporting under Communiqué II-17.1 shall be made using the Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Form (CGIF) templates using the Public Disclosure Platform KAP. These reports can be accessed via <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1701-halk-gayrimenkul-yatirim-ortakligi-a-s> These reports are also available on the Company website in the "Investor Relations" section, under the heading of "Corporate Governance".

The descriptive information regarding the reporting made via the templates are detailed below.

## PART II - SHAREHOLDERS

### 2- Investor Relations Unit

Halk GYO, whose 28% of shares have started to be traded in Stock Exchange Istanbul since the date of February 22, 2013, has continued to operate in accordance with the principles laid down in the Corporate Governance Principles published by the Capital Market Board.

The Company has established an Investor Relations Department within the Directorate of Corporate Communication and Investor Relations, which operates under the General Manager, in order to ensure the regular and effective management of the use of shareholder rights, public disclosure and information, especially the general assembly and capital increase transactions. The department is run by Corporate Communication and Investor Relations Director Uğur Güney. Uğur Güney is also a member of the Corporate Governance Committee and has licenses as stipulated by Capital Markets Board.

The contact information of the persons employed in the Investor Relations Department is as follows.

Name-Surname	Duty	Telephone	E-mail	License Information
Uğur GÜNEY	Director	216 600 10 25	ugur.guney@halkgyo.com.tr	Advanced Level/ Corporate Governance Rating / Real Estate Valuation / Credit Rating Licenses
Serpil YÖRÜK	Manager	216 600 10 33	serpil.yoruk@halkgyo.com.tr	Advanced Level/ Corporate Governance Rating / Real Estate Valuation / Derivative Instruments Licenses
E. Melis BULAK	Specialist	216 600 10 15	eylulmelis.bulak@halkgyo.com.tr	Advanced Level License
M. Erhan ÇELEBİ	Assistant Specialist	216 600 10 06	mustafaerhan.celebi@halkgyo.com.tr	Advanced Level/ Corporate Governance Rating Licenses

The Investor Relations Department principally conducts activities in order to fulfill their duties in terms of;

- ✓ Ensuring that the records of shareholders are kept healthy, secure and up-to-date,
- ✓ Responding to the written information requests of the shareholders regarding the company, except for information that is confidential and/or trade secret, and not disclosed to the public,
- ✓ Ensuring that the General Assembly meeting is held in accordance with the applicable legislation, the Articles of Association and other in-house regulations, preparing documents for the benefit of shareholders, keeping the record of voting results and sending the reports related to the results to relevant shareholders,
- ✓ Supervision and monitoring of all aspects of public disclosure including legislation and the company's information policy
- ✓ Contributing to the promotion and positive evaluation of the Company by organizing meetings with domestic and foreign investors and analysts,
- ✓ Monitoring developments related to the REIT sector and competitor company performances, informing senior management,

- ✓ Following the sector related news, economic developments, news of competing companies and Halk GYO on daily basis, and
- ✓ Participating in domestic and overseas roadshows

The Investor Relations which actively works on the communication between the shareholders and the Company, participated in all of the meetings of the Corporate Governance Committee throughout the year and gave information to the Committee on the unit activities, important developments that took place during the year, legislative changes concerning investor relations activities and has also been active in the process of rating and improving corporate governance practices.

During the period, the information requests from individual and corporate investors via phone and e-mail were met and the meetings with national and international corporate investment companies or intermediary institutional analysts were held by Investor Relations.

### **3- Use of Shareholders' Right to be Informed**

Halk GYO Disclosure Policy is based on transparency and fairness and our Company treats every shareholder equally in all of the public disclosure activities. Information demands of the shareholder, unless they are disclosed, are evaluated in accordance with such policy and principles.

Shareholders can request information by directly contacting the personnel of Investor Relations Department or by sending an e-mail.

Information requests and inquiries from investors during the period have been responded pursuant to especially legislation and the Company's Disclosure Policy, as well as all other considerations relating to public disclosure.

Necessary records related to written and oral information requests and the responses regularly are kept by the Investor Relations. Not only the information requests made to the Company, but also the prepared reports about the Company and the sector are regularly followed up.

The Company website is actively used to facilitate public disclosure and usage of shareholder rights. Quarterly investor presentations, as well as the financial statements, along with material event disclosures made through the Public Disclosure Platform (PDP) are published on the Company website in both Turkish and English. Moreover, the sections of the Company's website which are subject to updates, particularly the information with a potential impact on the usage of shareholder rights, are regularly updated. By this way, accurate and updated information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

Investors can connect to CRA's portal through the "Information Society Services" section organized by the Ministry of Customs and Trade within the scope of the "Regulation" published

on the websites of capital companies and can access basic information about the Company through this link.

Care is taken to publish the announcements regarding the company's activities in the press in the national press. In addition, documents concerning ordinary and extraordinary General Assemblies of Shareholders that are required by the relevant legislation are also published on the corporate website.

Request to appoint a special auditor has not been stipulated as an individual right in the Company's Articles of Association. On the other hand, during the period, our company did not receive any request for appointing of a special auditor.

#### **4- General Assembly Meetings**

The General Assembly is convened to ensure the highest-level involvement of shareholders and also, the minutes of the meeting are always made available either in writing, or electronically. The financial statements and annual reports are made available at the head office of the company, on the web site of the company, and anywhere the shareholders can easily access not later than 21 (twenty-one) days before the General Assembly. It is duly provided by the Council for the shareholders to use their rights to ask question at the General Assembly, to offer suggestions related to the items on the agenda and to make a speech on their suggestions. There is no provision in the Articles of Association that the General Assembly should make important decisions such as dividing, selling, purchasing and renting property in significant amounts. These issues are decided upon by the Board of Directors elected and authorized by the General Assembly in accordance with the provisions of the articles of association. The minutes of General Assembly meetings are published in the Trade Registry Gazette and made continuously available to the shareholders at the head office of the Company and on our web site, as well.

The Company's Annual General Assembly meeting of 2018 was held on April 9, 2019 in the Company's registered office with 79.76% attendance. Besides the shareholders, all Members of the Board of Directors were participated in the meeting, as well as officials from the independent audit firm to give information about the Company's financial statements and the audited period, Company General Manager and authorized officials.

Although the Company's Articles of Association does not include prohibitive provisions for the media about attending the General Assembly, no members of the media attended the General Assembly held.

The Company's General Assembly Meeting for 2018 was concurrently held on the Electronic General Meeting System provided by the Central Registry Agency (CRA), under the relevant regulations of the Turkish Commercial Code and the Ministry of Customs and Trade, and shareholders who have a right to participate in the General Assembly Meeting were given the opportunity to electronically participate in the meeting, assign a proxy, make suggestions, express their comments, and cast votes through this system.

General Assembly process was carried out in compliance with the Corporate Governance Principles and the provisions of the TCC; as anticipated in the invitation regarding the meeting, Law and Articles of Incorporation, and by involving the agenda and amendment draft, Public Disclosure Platform (PDP) Company's website, Electronic General Assembly System (EGAS) of CRA were published in Trade Registry Gazette and invitation letter was also sent to registered shareholders whose shares are not traded on the stock exchange via registered letter with return receipt. In addition to those, a "General Assembly Information Document" was prepared for the investors to give prior information on topics to be discussed in the general assembly and a sample of power of attorney, agenda and suggestion of Board of Directors about dividend were added to Company's website together with the invitation text. The 2018 Annual Report was presented 21 days prior to the meeting date on Company's registered office, website and on [www.kap.gov.tr](http://www.kap.gov.tr) in order for the investors to review.

All documents prepared regarding the General Assembly were also uploaded to the Electronic General Meeting System of CRA.

Prior to the meeting, in accordance with Corporate Governance, shareholders were informed about the number of total votes that may be cast at the General Assembly, the privileges they have, and the voting procedure.

At each stage of the meeting, shareholders were allowed to raise questions and make suggestions; all questions were answered, and the suggestions were taken into consideration. Questions and suggestions from the shareholders participating in the meeting were registered in the meeting minutes. Furthermore, all oral and written queries from the shareholders about the Company during the period were answered prior to and after the General Assembly of Shareholders within the scope of the Company Disclosure Policy.

After the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed through the Public Disclosure Platform and were submitted to shareholders' information by publishing them under the heading of "Corporate Governance-General Assembly" beneath the "Investor Relations" section of the Company website.

Change of duties of the Board of Directors, capital increase and cash dividend distribution amounts and dates were also resolved in the same meeting.

The General Assembly did not meet extraordinarily during the period.

## **5- Voting Rights and Minority Rights**

The total share of 928,000,000 with the nominal value of 1 TRY representing the capital within the capital limit registered of our Company as 1,500,000,000 TRY is comprised of Group A of 15,013,259,635 and Group B of 912,986,740,365.

Group A shares are entitled to nominate a candidate for the election of the members of the Board of Directors. The member who will constitute one more than the half of the Board of Directors

will be elected among the candidates as nominated by the Group A shareholders, and the rest will be elected among the candidates as nominated by the Group A and B shareholders.

In the Articles of Association of our Company, the following provision has been included: “No securities can be issued, which provides privilege other than those shares that already grant privilege to nominate candidates for the election of the members of the Board of Directors. The provision, “No privilege can be created including the privilege for nominating candidates to the Board of Directors after public offering,” was inserted.

Principles related to voting at General Assembly Meetings are placed in the Company’s “General Assembly Operating Principles and Procedures Guidelines”, which has been submitted for approval at the General Assembly and has been publicly disclosed.

Each share is entitled to one vote at either ordinary or extraordinary General Meetings. Shareholders are allowed to be represented at General Meetings by proxies given either to other shareholders or to those who are not shareholders. Such proxy holders who are also shareholders have the right, except their own vote, to vote for each share they represent.

The dominant shareholder of the Company votes in General Assembly Meeting. Minority shares are not represented in the Company management. There is no provision in the Articles of Association for granting of minority rights to shareholders who have less than one in twenty of the capital.

However, attention is given to the use of minority rights under Turkish Commercial Code and Capital Markets Board regulations.

There is no company that has cross-shareholding.

## **6- Dividend Right**

The dividend policy of the company is determined by the Board of Directors considering the shareholders’ equity structure and cyclical changes and submitted for approval of the General Assembly. The dividend policy approved by the General Assembly is disclosed to the public. The relevant policy is made available on the web site of the company and included in the annual report. There is no privilege for sharing the company’s profit and dividend distribution.

The revised Company Dividend Policy in the scope of Dividend Communiqué by Capital Market Board was submitted shareholders’ information and approval in the General Assembly. Confirmed and revised policy was disclosed to public and published in Company Annual Report and on Company website. In the scope of revised policy, distributing dividends at least 50% of the distributable net profit for the period for each accounting year as cash dividend or bonus shares to shareholders has been taken as a principle except for such special situations of investing for the long-term growth of the Company and extraordinary developments in general economic conditions.

The procedures and principles concerning the dividend distribution of the company are provided in the Article 30 of the Articles of Association. The dividend decided to be distributed is distributed to the shareholders within the legal terms anticipated in the legislation.

At the Ordinary General Shareholders' Meeting of 2018 held during the period, the amount of 5,000,000 TRY which corresponds to 6.35% of the distributable period profit of 2018 to be distributed as cash on 17.04.2019, and the amount of 70,000,000 TRY which corresponds to 88.90% to be distributed in the form bonus share and the capital increase process started on 20.06.2019.

## **7- Transfer of Shares**

The Articles of Association do not contain any provisions restricting the transfer of shares.

## **PART III - PUBLIC DISCLOSURE AND TRANSPARENCY**

### **8- Company Information Policy**

The "Information Policy" of our Company adopts to disclose the information in time, completely, clearly and in an easily accessible way, which are not considered to be trade secret or such information that may prevent the competitive power of the Company, to the shareholders and beneficiaries, so that the same looks out for the rights and benefits of the Company in accordance with the primary transparency principle of the corporate governance.

The Company has determined the Information Policy to be valid from 2010 and submitted for its shareholders' information at the 2010 General Assembly.

The revised policy under the "Communiqué on Disclosure of Special Events to the Public" published by the Capital Markets Board has been submitted to the shareholders' information and approval at the Ordinary General Assembly Meeting of the year 2013. The approved policy has been announced to the public and is included in the company's annual report. It can be accessed via "Corporate Policy" section in the "Corporate Governance" section under the heading "Investor Relations" on the internet site.

The Board of Directors is responsible for monitoring, supervising and improving the Disclosure Policy. Investor Relations is obliged to supervise and monitor the Information Policy.

Regarding the public announcement of future forecasts during the period, the objectives of 2019 were pointed out in 2018 year-end annual report, the explanations regarding these objectives were shared in 2019 year-end annual report under the same title with the public.

### **9- Company Website and Content**

The Company's web site is available at [www.halkgyo.com.tr](http://www.halkgyo.com.tr). The information and documentation as stipulated under the Capital Market Board Corporate Governance Principles Article 2.1.1 and the other relevant laws and regulations are made available at the web site.

Care is taken for the web site to be used actively and kept updated continuously. The Company takes due precautions in order to protect accuracy of published information and to prevent the changes on them. The information made available at our web site is also available in English so that the foreign investors can make use of it.

The partnership structure of the Company is updated on a quarterly basis by means of the Continuous Information Form, so as to also show the real and legal persons who have a share or voting right of 5% or more directly in the capital, within the framework of the Central Registry Agency published through Public Disclosure Platform. In accordance with the capital market legislation, financial statements and notes disclosed to the public are published both in Turkish and English on the internet site.

The Company website contains the information set forth in the Corporate Governance Principles, and the information contained in the Company's website is regularly reviewed and the compliance of the site as to form and substance under the relevant regulations is also taken into consideration.

The company website contains the "Information Society Services" section under the Regulation published by the Ministry of Customs and Trade concerning the internet sites of the capital companies. Investors can access the portal of the CRA through the Information Society Services section and can also access basic information about the Company via this link.

In 2014, our company designed an English and Turkish mobile web site to provide easy access for smart phones and tablets. This mobile website contains all published and synchronically updated information on the Company's website.

## **10- Annual Report**

The Company's annual report is prepared within the framework of the Corporate Governance Principles, other relevant Capital Markets regulations and relevant Regulations of the Ministry of Customs and Trade, to ensure that the public has full and accurate information about the Company's activities.

In addition to basic information about the Company's activities, attention is paid to include detailed information on board members and committees in the annual report. In this scope; resumes of the members of the board of directors, the powers and responsibilities within the Company and the duties they carry out outside the Company; whether they are involved in any transaction with the legal entity of the Company or the Company's capital market instruments in the field of the Company's main activity, whether they are involved in a debtor-creditor relationship with the Company, financial rights provided to members and independency statements of independent members; the working principles of the board of directors, the number of meetings held during the year, the attendance status of the meetings, information on the number of resolutions taken and the manner of taking resolutions; information on the structure of the committees of the board of directors, principles of operation, activities carried out during the year, meetings and resolutions, and the evaluation of the board of directors on the effectiveness of the committees are included in the annual report.

In addition, changes in legislation that could materially affect Company operations, whether there is a conflict of interest with the Company's investment advisory and rating agencies, and the measures taken to prevent conflicts of interest, information on possible consequences if there are significant cases filed against the Company during the year, information on cross-shareholding companies exceeding 5% of direct contribution to capital and the social rights and vocational training of employees are included in the annual report.



Our Annual Reports are announced to the public at the end of the Board approval process. It is published on our internet site and sent to the partners upon request.

## **PART IV - STAKEHOLDERS**

### **11- Informing the Stakeholders**

Our Company takes utmost care to protect the rights of all stakeholders regulated under the legislation and mutual contracts in their transactions and operations, and the rights of all of the stockholders are looked out for in accordance with the “Code of Ethics” of our Company. Stakeholders are informed accurately and in time through the material disclosures made by the Company to the public, press bulletins, annual reports, web site and internal notices.

Stakeholders’ information, demands and questions regarding the company activities are submitted to the Investor Relations Department using their contact information available on the web site, except for the trade secrets and/or such information that are not publicly disclosed. In addition, it is likely for the stakeholders to forward their questions about the operations they consider to be against the legislation and code of ethics to the Corporate Governance Committee or Audit Committee of our Company.

During the period, 4 annual reports, 4 press releases and 61 special case announcements were made by our Company in order to inform the stakeholders.

### **12- Stakeholders’ Involvement in the Management**

The rights of the shareholders to join management are provided as per the applicable laws, legislations and the Articles of Association. All expectations and requests of the beneficiaries who are in a relationship with the Company are assessed in accordance with the code of ethics.

### **13- Human Resources Policy**

Topics such as recruitment conditions, career guidance and promotion conditions, monetary arrangements and social benefits are presented to the employees in detail in the Company Human Resources Regulation. All decisions taken about the employees and the communication are conducted in accordance with the relevant guidelines.

All rights of each of the employees are legally protected under the Labor Code and the Code of Ethics, and all grounds are established for them to work in a safe and healthy environment.

There are no complaints from employees regarding discrimination during the period.

The Human Resources Policy of our Company has been set under the following principles and the same has been shared with our employees.

- To fulfill the activities that the Company will carry out in order to realize its aims with the ideal number of personnel,
- To perform the selection and assignment of personnel in accordance with the competence of the job,

- To provide the environment and conditions in which all staff can use and develop their skills, professional development and abilities,
- To provide adequate fees and other additional benefits suitable for the market and the conditions of the day,
- To give importance to the personality of the personnel, to respect the protection of the material and moral rights,
- To have personnel that embraces the corporate culture and corporate values and is in compliance with Ethical Principles,
- To ensure that they work cost conscious, depending on the principles of efficiency and profitability of the staff

#### **14- Ethical Principles and Social Responsibility**

Ethical principles created in 2010 and approved by the Board of Directors were published on the company website and disclosed to the public. In 2016, our company has decided to implement the Ethical Principles of Türkiye Halk Bankası A.Ş., our main shareholder, and published these principles under the title "Ethical Principles" in the Corporate section of the website. "Ethical Principles" include detailed information under the main titles of conflicts of interest, information flow regulatory rules, relationships with customers and suppliers and human resources, and principles that Halk GYO A.Ş. employees should abide in performing their duties and regulations on working order. The purpose of these principles is to prevent any dispute and conflict of interest between the employees, shareholders, customers and the institution. These contradictory attitudes and behaviors are assessed in accordance with the Discipline Directive and employees are expected to act according to the rules of common sense and goodwill in the circumstances and conditions that are not covered by these rules.

Our company carries out its relations with all stakeholders pursuant to ethical rules.

There are no lawsuits filed against the Company due to damages incurred in the period.

In our company vision, it is important to provide benefits in the field of modern urbanization, to build environmentally sensitive constructions and to take part in the activities that will support the sector and to be a pioneer as much as to evaluate investments in the best way.

Our company real estate projects are produced with environment-friendly, carbon-free materials, and LEED certified. In addition, during the year, our Company has also maintained to support the development of the sector as a sponsor of many sectoral organizations and conferences.

### **PART V - BOARD OF DIRECTORS**

#### **15- Structure and Formation of Board of Directors and Independent Members**

The powers and responsibilities of the Board Members are regulated in the Company's Articles of Association. The Company is managed by the Board of Directors and is represented outside. The Board of Directors performs its duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Markets Law and other relevant legislation. All of the

Boar Members have the minimum qualifications required in selection of Board Member set out in CMB Corporate Management Principles. The Board of Directors has a total of 6 members, consisting of 1 executive and 5 non-executive directors, 2 of which are independent. In 2019, there was no situation removing the independence of the Board of Directors. As of the date of this report, there were no female board members. Our Company does not have any regulation preventing the selection of woman member to the Board of Directors along with not having any policy determining target rate and time providing that the rate of woman members are not less than twenty-five percent in the Board of Directors.

#### BOARD OF DIRECTORS

Name-Surname	Duty	Profession	Duties Assumed in the Trust in the Last 5 Years	Current Duties Outside the Trust	Share of Capital in the Trust (%)	Reprented Share Group	Election Date/	Status
MEHMET EMİN ÖZCAN	CHAIRMAN OF THE BOARD	BANKER	-	T. HALK BANKASI A.Ş. INDEPENDENT BD MEMBER / HALK VKŞ A.Ş. CHAIRMAN OF BD	-	-	June 2019	Non-executive Member/ Independent Member
MEVLÜT UYSAL	VICE CHAIRMAN OF THE BOARD	BUREAUCRAT	-	TÜRKİYE HALK BANKASI A.Ş. BOARD MEMBER	-	-	June 2019	Non-executive Member/ Independent Member
ALİ CEBECİ	BOARD MEMBER	BANKER	-	T. HALK BANKASI A.Ş. HEAD OF INSPECTION BOARD	-	-	April 2019	Non-executive Member/ Not an Independent Member
MEHMET TANRIVERDİ	BOARD MEMBER	BANKER	-	T. HALK BANKASI A.Ş. DEPARTMENT HEAD OF CONSTRUCTION APPRAISAL AND REAL ESTATE MANAGEMENT	-	-	April 2019	Non-executive Member/ Not an Independent Member
DURSUN ALİ KILICLI	BOARD MEMBER	BANKER	-	T. HALK BANKASI A.Ş. DEPARTMENT HEAD OF CORPORATE AND COMMERCIAL MARKETING	-	-	June 2019	Non-executive Member/ Not an Independent Member
ERDAL BEKİN	BOARD MEMBER – ACTING GENERAL MANAGER	ENGINEER	HEAD OF GROUP	-	-	-	February 2020	Executive Member/ Not an Independent Member

Within the framework of Corporate Governance Principles, a Nomination Committee has not been established in the Company and the Corporate Governance Committee fulfills the duties of the

committee in question. The Corporate Governance Committee submits reports on whether candidates meet the criteria for independency to the Board of Directors.

Declarations of independence of independent members were included in 2019 year-end annual report.

The members of the Board of Directors are not restricted to take other duties outside the company and the provisions of the Turkish Commercial Code regarding the prohibition of competition are complied with. During 2019, there has been no violation of the Company's transactions and prohibition of competition regarding the members of the Board of Directors.

The resume information of the Company's Board Members is included in the annual report and on the Company's corporate website.

### **16- Operating Principles of the Board of Directors**

The Board of Directors convenes at times deemed necessary for the Company's business, upon the invitation of the Chairman or Vice Chairman. Each member of the Board of Directors may apply in writing to the Chairman or Vice Chairman of the Board and request the board to be called to the meeting. If the Chairman or the Vice Chairman does not still call a meeting, the members shall also have the authority to call a meeting on their own initiative.

If none of the members call a meeting, board resolutions may also be taken by getting written approval of the majority of the total number of members to the offer that is written in the form of a decision made by a member of the board in a particular matter. In order for the decision to be made in this way to be valid, the same proposal must be made to all board members. It is not necessary that the approvals are on the same paper; but it is necessary for the validity of the decision to affix all papers bearing approval signatures to the minute book of the board of directors or to convert them into a decision containing the signatures of the acceptors and register them in the minute book.

Each member has one vote at the meetings. Voting rights are used personally. Unless a member requests a meeting, resolution can also be taken by written notification of approval of the other members to a member's offer.

The meeting agenda of the Board of Directors is determined by the Chairman of the Board of Directors. Changes may be made on the agenda with the decision of the Board of Directors. The meeting place is the company headquarters. However, the Board of Directors can also convene elsewhere, subject to a decision.

The board of directors convenes with absolute majority and takes decisions with the absolute majority of the attendees. In the board of directors votes are used as acceptance or rejection. The voter who gives the rejection signs it by writing the reason for rejection under the decision. Decisions of the Board of Directors about the matters entered in the relevant communiqués and legislation are shared with the public and published on the company website.

Members who do not attend the meeting may not vote in writing or in any other way unless they are based on a legitimate excuse. Members of the Board of Directors who have not participated in three consecutive meetings without authorization from the Board of Directors, regardless of the reason or necessity, or who have not participated in an intermittent or half of the meetings held during an accounting period, shall be deemed to have resigned.

Meetings of the Board of Directors can be realized in physical and / or electronic environment.

Those who have the right to participate in the board meeting of the Company may participate in this meeting in electronic environment in accordance with article 1527 of the Turkish Commercial Code. In accordance with the provisions of the "Communiqués Regarding Committees to be Made in Electronic Media Other than the Joint Stock Company General Assemblies in Trade Companies", the Company may purchase the Electronic Meeting System which enables the beneficiaries to participate and vote in these electronic meetings and may also purchase services from the systems established for this purpose. At the meetings to be held, it is ensured that the rights of the rights holders specified in the related legislation can be used within the framework specified in the Communiqués, either through the system established under this provision of the Main Contractor or through the system to receive support services.

The Investor Relations Department is actively involved in organizing board meetings, preparing the necessary reports and documentation, and preparing and registering board decisions, ensuring information flow and coordination among members, and similar issues.

The Company's Board of Directors met 43 times during the period and 61 decisions were taken at these meetings. Care has been taken to ensure that the meeting date is determined to ensure the participation of all members. All resolutions of the Board of Directors are taken unanimously. None of the resolutions taken at the meetings were casted a dissenting vote. In addition, there is no point in the decision record because there are no opposing votes used in the decisions taken.

Members of the Board of Directors have not been given the weighted voting right and / or to veto negatively.

Decisions of the board of directors regarding the related party transactions of significant quality presented to the approval of the independent board members during the year were taken unanimously by the positive votes of independent board members as well.

During the period, the company was insured against any damages that the Board Members may cause the company when carrying out their duties, and the company has not made a Public Disclosure Platform announcement regarding this insurance transaction.

### **17-Number, Structure and Independence of the Committees Established in the Board of Directors**

A Corporate Governance Committee, an Audit Committee, a Remuneration Committee and an Committee for Early Detection of Risk have been established within the existing board of directors in accordance with the Corporate Governance Principles of the Capital Markets Board and Operating Principles of the Board of Directors at the Company. The committees are convened at least once every three months and report to the Board of Directors except Remuneration Committee convened at least once in a year.

Working principles for each of the committees have been established and announced to the public. The committees operate within the framework of these principles. During the year, in accordance with the Corporate Governance Communiqué of the Capital Markets Board; following the general

assembly meeting, task distributions and committee elections were held within the board of directors and announced to the public.

While members of the committee are elected, they are acting within the framework of corporate governance principles.

The information about committees is provided below.

<b>Committee</b>	<b>Chairman</b>	<b>Independence Status</b>	<b>Member</b>	<b>Independence Status</b>
Audit Committee	Mehmet Emin ÖZCAN	Independent	Mevlüt UYSAL	Independent
Corporate Governance Committee	Mehmet Emin ÖZCAN	Independent	Dursun Ali KILICLI Uğur GÜNEY	Not Independent Not Independent-Executive
Remuneration Committee	Mehmet Emin ÖZCAN	Independent	Ali CEBECİ	Not Independent
Committee for Early Detection of Risk	Mehmet Emin ÖZCAN	Independent	Mevlüt UYSAL	Independent

The Board of Directors of the Company consists of a total of 6 members, 1 executive and 5 non-executive, and 2 members hold the status of independent member of the Board of Directors. As it is required to have at least one independent member in the committees as per the relevant legislation, a member of the board of directors is assigned in more than one committee within the current organization.

In the Board of Directors, there is no Nomination Committee which has been constituted. The functions of this committee are performed by the Corporate Governance Committee.

Corporate Governance Committee has been set up in accordance with the Capital Markets Board's rules and regulations related to corporate governance and it has been charged with fulfilling its incumbent duties and responsibilities which are specified under Corporate Governance Principles. This Committee regularly overviews the Company's corporate governance practices and it exerts effort to make improvements in them. In addition to its corporate governance functions, this Committee also gives a crucial importance to investor relations. At regular intervals, the Committee follows the Company's investor relations activities and strategies and it provides that the Board of Directors is kept regularly informed about such issues. Besides these functions, the Committee also gets into the acts in such areas as providing coordination among other committees and backing up their activities if necessary. During the period, Committee assembled for 4 meetings and took 4 decisions.

Corresponding its duties as indicated in its working principles and pursuant to the principles of applicable Capital Market Laws, regulations, and administrative provisions during the year, the Audit Committee actively works in such subjects of publicly disclosing the Company's financial statements, having independent audits conducted, ensuring that the Company's internal control system functions in an effective way, electing independent audit company and reviewing all other aspects of the independent auditors' activities. During the year, Committee assembled for 8 meetings and took 4 decisions.

In accordance with Capital Markets Board's rules and regulations of corporate governance, the Committee for Early Detection of Risk has been established to early detect the threatening risks upon Company's existence, development and survival, to take the necessary provisions for identified risks, to manage the risks pursuant to Article 378 of TCC and to supervise the risk management systems. During the year, Committee assembled for 6 meetings and took 6 decisions.

The Remuneration Committee identifies and monitors the principles, criteria and practices to be used in remuneration of the members of the Board of Directors and managers who have administrative responsibilities, taking into account the Company's long-term goals. This Committee submits its recommendations to the Board of Directors about the pay packages to be offered to the members of the Board of Directors and executives, considering the level of achievement with respect to the criteria used in remuneration. During the year, Committee assembled for 2 meetings and took 2 decisions.

The Board's Assessment Report on the work of the committees within the period was included under the title no 1 of 2019 year-end annual report.

## **18- Risk Management and Internal Control Mechanism**

At the Company, the risk management, internal control and audit systems are organized in accordance with the international practices, principles and organization framework. Risk management and internal control operations in our Company are conducted by the "Department of Internal Audit & Risk and *Compliance*". By considering the opinion of the relevant Board of Directors committees, the Board of Directors generates the Company's internal control systems, including information systems and processes as well as risk management systems, which ensure to minimize the impact of risks that have the potential to affect the Company's stakeholders, particularly its shareholders. The effectiveness of the risk management and internal control systems are reviewed at least once per each year. Internal Audit actions are conducted within the framework of approved "Annual Audit Plan" by Audit Committee during the year. Internal control systems are formed in order to review, check, monitor, assess and report the fitness, adequacy and effectiveness of Company's activities, as well as their controls.

The information of inter-corporate controls and internal audit's existence, process and effectiveness are also presented in the annual reports. A periodic assessment report, a statement of compliance and follow up of the portfolio restrictions, and a monthly statement of liquidity rate are drawn up by the Department of Internal Audit and Risk Control, and these are submitted simultaneously to the Audit Committee, Corporate Governance Committee, Committee for Early Detection of Risk, the senior management and to the Board. Thus, in respect of the management of the relevant risks, it is aimed by the senior management and by the Board of the Company to take the necessary actions and to develop control systems.

Halk GYO provides a wide portfolio range within the real estate industry as an investment strategy, and they steer for the estate where they earn regular rental income and put efforts to minimize the risk for their investors in respect of choosing the real estate. All real estate contained in the Company's portfolio is insured against any and all damages.

### **19- Strategic Goals of the Company**

The Company's strategic goals, include developing their real estate portfolio as heavily based on the commercial property where can be gained high rental income and offering high return to their shareholders with weighted average cost of capital model.

The Board of Directors approves the annual budget included of the targets and strategies so as to incorporate its own revisions and suggestions. Except extraordinary cases, all changes in strategies result of the decisions made and the deviations in forecasts, the performance assessments of the company are conducted quarterly by the Board of Directors during the assessment of the financial statements. Short and long-term investment and funding plans are revised and repositioned, if needed due to new developments.

### **20- Financial Rights**

Any and all benefits and pays provided for the Board of Directors and executives of the company as well as the criteria and remuneration principles used in determining these are set in accordance with the Remuneration Policy of the company, and the relevant policy is disclosed to public on the web site.

Remunerations to be paid to the members of the Board of Directors are determined by the decision of the General Assembly in line with the proposal of the Remuneration Committee. The members of the Board of Directors have not been granted the rights to provide financial benefits such as daily allowance, premiums and bonuses except for the payments determined in the general assembly. Care is taken for the pay to be at a level that protects the independence of the member while determining the pay levels of the independent members of the board of directors, and no stock options or payment schemes based on the performance of the company are used in accordance with the Corporate Governance Principles.

Their social rights are provided regularly and periodically to the executives in accordance with the legal regulations, and no different compensation policy is applied other than the legal compensations as set forth in the laws and regulations. Remunerations to be paid to the executives are determined by the decision of the Board of Directors in line with the proposal of the Remuneration Committee.

The company has not lent money, extended a loan, extended a loan under the name of personal loan through any third parties or given such guarantees as surety in their favor to any member of the Board of Directors and the executives and no conflict of interest arising from this cause has occurred within the period.



In accordance with Article 4.6.6 of the Corporate Governance Principles, the fees paid to the members of the Board of Directors and executives and all other benefits provided are announced to the public through quarterly Annual Report and financial reports. However, the explanation made is not person-based. Total financial rights provided by the Company to the board of directors and senior executives are 1,963,398 TRY.