

**Corporate Governance Rating**

Rating Revision



Şerifali Çiftliği Tatlısu Mahallesi  
Ertuğrulgazi Sok No:1  
Yukarı Dudullu Ümraniye/İstanbul

**30 November 2018**

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## Corporate Governance Rating

Rating Revision

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

 **SAHA**  
Corporate Governance Rating:

**9.27**



**MAIN SECTIONS: Avg. 92.74**

**Shareholders: 94.71**



**Public Disclosure & Transparency: 93.93**



**Stakeholders: 94.36**



**Board of Directors: 89.80**



0 10 20 30 40 50 60 70 80 90 100

## RATING REVISION

The Corporate Governance Rating (9.24) that has been assigned to Halk Gayrimenkul Yatırım Ortaklığı A.Ş. on 30.11.2017 is hereby revised up to **9.27**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

In consideration of Halk GYO's determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the improvements affected during the twelve months lapsed since the publication of the previous report, the corporate governance rating of the company is updated and confirmed as above.

Furthermore, 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.. Halk GYO is analyzed as a Turkish company 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 September 3, 2018 can be accessed at <http://www.saharating.com>.

Main improvement that effected the above revision is:

- Majority of the Board Members has attended to the General Assembly.
- Informative Document of the General Assembly has been prepared.
- Additional information is given in the Annual Report.
- Company's damage that may be caused due to the faults of the board of directors during the charge of their duties has been insured for an amount exceeding 25% of the company's share capital.

The sub-section ratings are confirmed as follows:

<b><i>Sub Sections</i></b>	<b><i>Weight</i></b>	<b><i>Rating</i></b>
<b>Shareholders</b>	<b>25%</b>	<b>94,71</b>
<b>Public Disclosure and Transparency</b>	<b>25%</b>	<b>93,93</b>
<b>Stakeholders</b>	<b>15%</b>	<b>94,36</b>
<b>Board of Directors</b>	<b>35%</b>	<b>89,80</b>
<b>Total</b>		<b>92,74</b>

## 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 Holding'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 company 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 company should be in full and perfect compliance with the Principles.

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.

## Rating Definitions

Rating	Definition
<b>9 - 10</b>	The company performs <b>very good</b> 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 company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
<b>7 - 8</b>	The company performs <b>good</b> 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 ISE Corporate Governance Index on the highest level.
<b>6</b>	The company performs <b>fair</b> 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. 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.
<b>4 - 5</b>	The company performs <b>weakly</b> as a result of poor corporate governance policies and practices. The company 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.
<b>&lt;4</b>	The company performs <b>very weakly</b> and its corporate governance policies and practices are overall very poor. The company 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.

## DISCLAIMER

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This revision, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

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