



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



30 November 2020

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Rating and Executive Summary

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

SAHA
Corporate Governance Rating:

9.29



MAIN SECTIONS: Avg. 92.91

Shareholders: 94.66



Public Disclosure & Transparency: 95.17



Stakeholders: 94.36



Board of Directors: 89.43



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

The Corporate Governance Rating of 9.31 that has been assigned to Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (Halk GYO) on November 29, 2019 is hereby revised as **9.29**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

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 October 8, 2019 can be accessed at <http://www.saharating.com>.

Halk GYO is rated with **9.47** 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. Company carries out the investor relations obligations through the Investor Relations Department. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a publicly disclosed dividend policy of the Company. On the other hand, there are areas for improvement such as insufficient disclosure document concerning agenda items, non-recognition of the minority rights for shareholders who hold an amount less than one-twentieth of the share capital and absence of regulations in the articles of association regarding advance dividend distribution. In addition, as based on the REIC legislation, 1.62% of Group A shares have the privilege to nominate more than half of the board of directors' members.

Halk GYO attained **9.52** under the **Public Disclosure and Transparency** chapter. The Company has a comprehensive web site. Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul (BIST) rules and regulations. The annual report complies with the legislation, comprehensive and informative. The agreement and work conducted with the external auditor also complies with the legislation. Nevertheless, non-disclosure of the benefits provided to board members and senior executives on individual basis is an area in need of further refinement.

On the topic of **Stakeholders**, Halk GYO scored **9.44**. The Company has a written human resources policy. The Company is in compliance with environmental laws and has a publicly disclosed code of ethics through its web site. Stakeholders' rights drawn up in line with the legislation and mutual agreements are protected. The Company keeps good relations with non-governmental organizations and public social institutions. Job descriptions and allocations along with performance and rewarding criteria are announced to employees. However, the lack of a specific compensation policy for employees and non-inclusion of models supporting the participation of stakeholders in the management of the Company in internal regulations and articles of incorporation are issues in need of improvement.

From the perspective of the principles regarding the **Board of Directors**, Halk GYO's tally is **8.94**. The board of directors fulfills all duties regarding Company needs. The board of directors consists of seven members, of which two are independent. However, there are no female members. A Corporate Governance, an Audit, an Early Detection of Risk and a Remuneration Committees are established within the board of directors. The working principles of the Committees are disclosed to the public. Strategic decisions of the board of directors aim to manage Halk GYO's risk, growth, and return balance at an appropriate level, conduct a rational and cautious risk management approach with a view to the long-term interests of the Company and represent the Company within these parameters. The board established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees. On the other hand, insuring defects and damages caused by board members during the execution of their duties for an amount less than 25% of the capital of the Company and non-disclosure of benefits provided to board members and senior executives on individual basis are areas open for amendment.

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 Company'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 338 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 (see Rating Definitions, p.19).

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.



CHAIRMAN OF THE BOARD

Ergin Kaya

GENERAL MANAGER

Bülent Karan

Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi
Sok. No:1 Yukarı Dudullu Ümraniye
İstanbul
www.halkgyo.com.tr

Investor Relations Department Manager

Uğur GÜNEY

Tel: (0216) 600 10 25

ugur.guney@halkgyo.com.tr

The principle activity of Halk Gayrimenkul Yatırım Ortaklığı AŞ ("the Company") is to operate a portfolio consisting of real estates, real-estate projects, real estate based rights, capital market instruments and other assets and rights to be determined by the Capital Markets Board ("CMB"). The main purpose of the Company is to invest in real estate, capital market instruments, real estate projects, real estate based rights as stated in written objective purposes of CMB Regulations on Real Estate Investment Companies.

The Company's operating principles regarding portfolio investment policies and governance restraints ground on compliance with CMB regulations and related legislation. The investment property portfolio of the Company is made up of land, projects and office and hotel buildings where rental income is obtained.

The Company has obtained a certificate of incorporation from the CMB dated September 24, 2010, numbered 9546 and is registered with the CMB.

The Company shares are traded under "HLGYO" code at BIST Collective Products Market and Halk GYO is a constituent of BIST REAL ESTATE INVESTMENT TRUSTS / BIST ALL SHARES / BIST DIVIDEND / BIST FINANCIALS / BIST CORPORATE GOVERNANCE / BIST 100 / BIST 100-30 and BIST STARS indices.

Capital Structure of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.		
Shareholders	Share Value (TL)	Share %
TÜRKİYE HALK BANKASI A Ş	769,468,560.98	79.33
OTHER	200,531,439.02	20.67
Total	970,000,000.00	100.00

The A Group of shares have the privilege of nominating 1 more than one half of the board of directors, and this privilege is detailed on the table here below.

Share Distribution of the Company				
Group	Registered/Bearer	Number of Shares	%	Type of Privilege
A	Registered	15,692,739.058	1.62	Board of Directors Nominations
B	Bearer	954,307,260.942	98.38	None
Total		970,000,000.00	100.00	

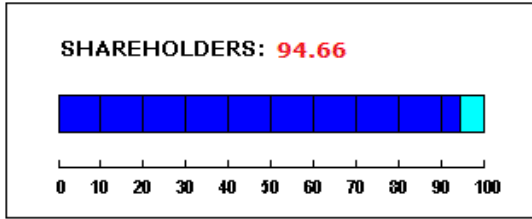
Free float ratio of the Company is 17.57%.

The board of directors is composed as follows:

Halk Gayrimenkul Yatırım Ortaklığı A.Ş. Board of Directors		
Name	Title	Committees Served
Ergin Kaya	Chairman of the Board	
Mehmet Tanrıverdi	Vice-chairman	Remuneration Committee Member
Ali Cebeci	Board Member	Early Detection of Risk Committee Member
Mehmet Hakan Tercan	Board Member	Corporate Governance Committee Member
Raci Kaptan Kolaylı	Independent Member	Audit Committee Member Corporate Governance Committee Chairman
Memduh Yılmazlar	Independent Member	Audit Committee Chairman Early Detection of Risk Committee Chairman Remuneration Committee Chairman
Bülent Karan	Board Member Executive	

There is one executive member on the board of directors.

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders.
+	General shareholders' meetings are conducted in compliance with the legislation.
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory.
+	Publicly disclosed dividend policy.
+	Policy on donations and grants submitted to the general shareholders' meeting.
=	As based on the REIC legislation, 1.62% of Group A shares have the privilege to nominate more than half of the Board of Directors.
=	Disclosure document on agenda items should be more detailed.
-	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The Company carries out shareholder relations obligations through the Investor Relations Department.

Employees of this unit are active and willing on exercise of corporate governance principles at the Company.

Along with other units of the Company, the "Investor Relations Department" plays an active role in

protecting and facilitating shareholders' rights and in particular the right to obtain and review information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the Company.
- To ensure the general shareholders meeting is held in compliance with the applicable legislation, articles of association and other Company by-laws.
- To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Investor Relations Department submits a report to the board of directors at least quarterly on its conducted activities.

Information and explanations that may affect use of shareholders' rights is available up to date on the corporate web site.

Manager of the Investor Relations Department, Mr. Uğur Güney holds the licenses specified in the Corporate Governance Principles Communiqué and serves on the Corporate Governance Committee.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders.

All kinds of information about the Company are provided in a complete, timely, honest, and diligent manner and there is no fine or warning received in this regard.

The Company's disclosure policy was submitted to the attention of shareholders at the previous year's general shareholders' meeting and disclosed to the public on the corporate web site.

1.3 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 Company has adopted exactly the rate foreseen in the legislation for listed companies.

1.4. 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 held on June 24, 2020 is performed through all means of communication available to the Company on June the 2nd, 2020 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 annual report, financial statements and other meeting documents can be examined.

On the other hand, a disclosure document on the agenda items has been prepared by the Company, but it does not contain all the details specified in the corporate governance principles.

Commencing from the date of announcement of invitation for the general shareholders' meeting, following documents are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the Company, and the electronic media;

- The annual report.
- Financial statements and reports.
- All other relevant documents.

Shareholders are informed on total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure and privileged share groups within the Company capital, prior to the general shareholders' meeting via the corporate web site.

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 Company headquarters.

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 ask questions.

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.

General shareholders' meeting was also attended by the representative of the external auditor.

Halk GYO has established a policy on donations and grants and submitted it to the approval of shareholders at the general shareholders' meeting held on April 10, 2013.

There are changes on the Articles of Association, but no information is provided on old and new versions.

However, insufficiencies were observed on issues such as the resumes of the nominees presented for the candidacy of the board of directors, duties they have undertaken in the last 10 years, and whether they possess the independence criteria.

1.5. Voting Rights:

At Halk GYO all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and the Company avoids applications that make it difficult to exercise voting rights.

The members who will constitute one more than the half of the board of directors will be elected among the candidates as nominated by the A Group shareholders (1.62%). This privilege is only for board nominations and is based on the Communiqué on Principles Regarding Real Estate

Investment Companies (REICs), which is one of the conditions of establishment of Real Estate Investment Companies, stating; "REICs may not issue any privileged securities other than the shares providing the privilege of nomination of members of the board of directors."

1.6. Dividend Rights:

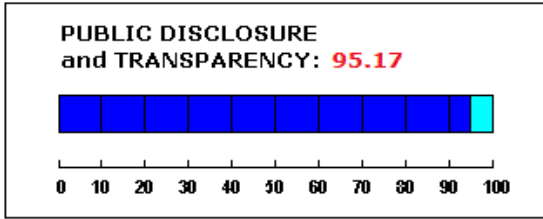
The dividend policy of Halk GYO is clearly defined. It is submitted to the attention of the shareholders at the general shareholders' meeting and disclosed to public on the corporate web site. Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. It is stated in the dividend distribution policy document that a balanced policy is followed between the interests of the shareholders and those of the Company.

On the other hand, the articles of association do not contain a provision on advance dividend payments.

1.7. Transfer of Shares:

There are no complications which impede free transfer of shares. There is no provision in the articles of association restricting the share transfer.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used for public disclosure, also available in English.
+	Annual report complies with the legislation, comprehensive and informative.
+	Agreement and studies conducted with external auditors comply with the legislation.
-	No reports on corporate social responsibility and sustainability.
-	Benefits provided to board members and senior executives not listed on individual basis.

2.1. Corporate Web Site:

Company's corporate web site (www.halkgyo.com.tr) 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 Company's web site includes; trade register information, information about latest shareholder and structure, information on privileged shares, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's articles of association, publicly disclosed material information, periodical financial statements, annual reports and other public disclosure documents, agendas of the general

shareholders' meetings and list of participants and minutes of the meetings, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, and the ethical rules.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the Company also discloses financial statements on the Public Disclosure Platform (PDP), and simultaneously in English.

The information contained on the web site has also been prepared in English, close to the Turkish content, for the benefit of international investors.

The Company's web site also includes; investor presentations, working principles of the Committees, the donation policy, important board decisions under the heading of material disclosures, the vision/mission of the Company established by the board, information on dividend payments and capital increases, news, general shareholders' meeting internal guidelines, information on senior management, financial data, main ratio analysis and the human resources policy.

However, corporate social responsibility and sustainability reports of the Company and frequently asked questions including requests for information, questions and notices, and responses thereof are not included on the web site.

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 Company and it covers information such as;

- a. Period covered by the report, the title of the Company, trade register number, contact information.
- b. The names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates).
- c. The sector in which the Company operates and information on its position in this sector.
- d. Progress on investments, the eligibility status on incentives, and to what extent.
- e. Corporate Governance Principles Compliance Report.
- f. Information on related party transactions.
- g. Other issues not included in the financial statements, but are beneficial for users.
- h. Company's organization, capital and ownership structure, and any changes in the related accounting period.
- i. Explanations on and number of privileged shares.
- j. Information on research and development activities.
- k. The dividend distribution policy.
- l. Basic ratios on the financial position, profitability and solvency.
- m. Company'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. Committees established within the board and their members.
- b. The number of board of directors meetings held during the year and participation status of the members.
- c. Members of the Committees within the board, their working principles on conducted activities and assessment of the board on the efficiency of the Committees.

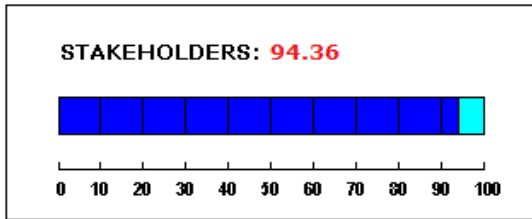
On the other hand, the benefits provided to board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

2.3. External Audit:

The external auditor hired for the audit of fiscal year 2020 is DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. Also there has been no legal conflict between the Company and the external audit firm.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Compensation is provided in case of violation of the stakeholder rights safeguarded by relevant legislation and mutual agreements.
+	Efficient Human Resources policy.
+	Code of ethics established and disclosed to the public.
=	Incentive models developed for stakeholders to participate in management are somewhat mentioned in internal regulations, but not included at all in the articles of association.
-	A specific compensation policy for the employees is not established.

3.1. Company Policy Regarding Stakeholders:

We have not come across a significant or repetitive situation in which the rights of stakeholders established by any law or agreement are not recognized. Halk GYO recognizes the rights of stakeholders established by law or through any other mutual agreement.

The corporate web site of the Company is also used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

Stakeholders can report their concerns on any illegal or unethical transactions

to the Corporate Governance Committee or to the Audit Committee.

Where conflicts of interest arise between stakeholders, or if a stakeholder is involved in more than one interest group, a balanced policy is pursued as far as possible in order to protect the rights of the stakeholders and protection of each individual independently of each other is aimed.

3.2. Stakeholders' Participation in the Company Management:

Halk GYO has been trying to develop models for stakeholders, particularly employees to participate in management without impeding the operations of the Company.

In addition, views of stakeholders on important decisions directly concerning them are taken into consideration.

In spite of this, the said models adopted by the Company are partly mentioned in the internal regulations but not at all in the articles of association.

3.3. Company Policy on Human Resources:

Such issues as the conditions for recruitment, career guidance and conditions for promotion, monetary regulations and social benefits are submitted for the information of the employees in detail and clearly under the Guidelines for Human Resources of the Company.

All decisions taken concerning employees and mutual communication are conducted in accordance with the relevant guidelines.

All legal rights of each employee are 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 were no complaints from employees regarding discrimination during the reporting period.

The Human Resources Policy has been established and shared with the employees.

We have come to the conclusion that measures are taken to prevent discrimination among employees on the basis of race, religion, language, or sex; to protect employees against physical, mental, or emotional abuse and no contrary indication has been observed.

Although Halk GYO does not follow a policy that restricts the right to establish associations, there is no collective bargaining agreement in the Company.

On the other hand, the Company does not have a particular compensation policy for employees, except for the legal indemnities stipulated by laws and regulations.

3.4. Relations with Customers and Suppliers:

Halk GYO has taken necessary precautions to attain customer satisfaction in the sales and market of its products and services.

The demands of the customers regarding the goods and services purchased are met rapidly and they are informed about the delays without waiting for the deadline.

The Company complies with quality standards of products and services and strives to maintain these standards.

Within the framework of protection of trade secrets, care is taken on the confidentiality of information about customers and suppliers.

We have witnessed no evidence on non-market pricing of goods and services of the Company.

3.5. Ethical Rules & Social Responsibility:

The ethical rules of Halk GYO is established and publicly disclosed through the corporate web site.

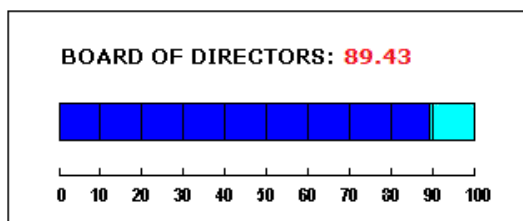
The Company has not been subject to any significant sanctions during the course of last year by the public administrations.

Maximum care is given to adoption and application of technologies which are innovative and compatible with the environment in accordance with the environmental policy and the quality policy of the Company.

3.6. Sustainability:

The Company has a policy, internal regulations, goals, initiatives and campaigns on environment, nature, energy conservation, recycling and education issues. However, Halk GYO does not have a Sustainability Report.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The board works efficiently and staffed with qualified members.
+	Board of directors meeting and decision quorum is defined in the articles of association.
+	Audit, Corporate Governance, Early Detection of Risk and Remuneration Committees are established.
+	Principles of remuneration of board members and senior executives are established and disclosed to the public.
=	Defects and damages caused by board members during the execution of their duties are insured at a rate below 25% of the Company's capital.
-	No female members in the Board of Directors, neither a female membership policy is established.
-	Remuneration and benefits provided to board members and senior executives are not disclosed on individual basis.

4.1. Functions of the Board of Directors:

It is thought that the strategic decisions of the board of directors aim to manage Halk GYO's risk, growth, and return balance at an appropriate level, conduct a rational and cautious risk management approach with a view to the long-term interests of the

Company and represent the Company within these parameters.

The board of directors has defined the Company'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:

It is believed that the 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 established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees.

It is declared in the annual report that the board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report.

The duties of the chairman of the board of directors and the general manager are carried out by different persons. Their executive powers are clearly separated and this separation is documented in the articles of association.

Analyzing the Company's organization, it is seen that there is no person in the

Company who has unlimited authority to make decisions alone and this is deemed positive by us.

On the other hand, defects and damages caused by the board members during the execution of their duties have been insured at a rate below 25% of the Company's capital.

4.3. Structure of the Board of Directors:

7 members of the board of directors were elected at the Ordinary General Shareholders' Meeting held on June 24, 2020. There is 1 executive member on the board. Among the non-executive members there are 2 independent members who have the ability to execute their duties without being influenced under any circumstances.

There are no female members on the board of directors and nor a policy on female board membership is established.

The Corporate Governance Committee have prepared a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board 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.

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

Board meetings take place with sufficient frequency. In this context, it has been declared that the board of directors held 43 physical meetings.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the general manager.

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. Each member is entitled to a single vote.

The meeting and decision quorums have been included in the articles of association of the Company.

The conduct of the board of directors meetings is also defined in the articles of association of the Company.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit, Early Detection of Risk and Remuneration Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the Committees, their working principles, and members are designated by the board of directors and disclosed to the public on the Company's web site.

All members of the Audit Committee and the chairmen of the other three Committees are elected among the independent board members. The general manager and the chairman of the board of directors are not on the Committees.

With the exception of independent members, care is given in general that a member of the board of directors does not undertake duty in more than one Committee.

The Investor Relations Department Manager Mr. Uğur Güney is appointed to the Corporate Governance Committee.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the board of directors. Meeting frequency of the Committees has been found sufficient by us.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Company, 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 shareholder relations unit.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them, notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the Company and the external auditor notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

In addition, we are convinced that members of the Audit Committee have the qualifications mentioned in the related Communiqué.

The annual report contains information on working principles of the Audit

Committee and number of written notices given to the board of directors in the accounting period.

The external audit of the Company is conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the board and ends with the board's choice being presented and approved at the general shareholders' meeting.

The Early Detection of Risk Committee carries out certain studies towards early detection of risks which may jeopardize the Company's assets, its development and progression, and measures taken to mitigate and manage those risks.

The duties of the Nomination Committee are performed by the Corporate Governance Committee.

4.6. Remuneration of the Board of Directors and Senior Management:

The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting. A remuneration policy prepared for this purpose can be found on the Company's web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

It is declared in the Corporate Governance Compliance Report that Halk GYO does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

We are convinced that the executives have the required professional qualifications in order to perform the assigned duties and they comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

Remuneration and benefits provided to board members and managers with administrative responsibility is stated collectively in the annual report, however an individual-based disclosure is essential.

There have been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage. There is an insurance policy on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly.

Rating Definitions

Rating	Definition
9 - 10	The company 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 company'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 company 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 company 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 company performs weakly 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.
<4	The company performs very weakly 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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