

# Corporate Governance

## Human Resources

Akfen REIT reflects the dynamism at the management understanding into the human resources applications and put relevant strategies conforming to the corporate structure and targets of the Company into practise. It is among preliminary targets in the human resources policy of Akfen REIT to offer every employee an employment environment to enable him/her to develop his/her personal/professional skills at a position suitable to the qualifications, owned by the same.

Akfen REIT has formed up its human resources policy within the framework of following principles:

- The principle to provide the persons at equal qualifications at recruitment, training and progress, pricing (fee Payment) and career planning with equal opportunities is adopted.
- The criteria for recruitment are determined in writing and these criteria in applications are conformed thereto.
- The employees are treated equally on progress and promotion matters, and various progress policies and plans are created towards the increase/rise of knowledge, skills and experiences of the employees.
- The job definitions, performance assessment and award criteria of the employees of the Company are determined by the managers and shared with the employees.
- The relationships with the employees are conducted by the Corporate Communication, Human Resources and Administrative Affairs Department, and no discrimination is made among the employees.

### Dispersion of Employees in Terms of Their Education Status

Company	Number of Employees	Master Degree	University Graduate	Undergraduate	High School Graduate
Akfen REIT	11	2	6	-	3
RHI, RPI and HDI	11	1	8	-	2

Akfen REIT aims to create a work environment that is dynamic, transparent and supports development for the high motivation of the employees through these principles. The company that believes in the importance lifelong learning offers opportunities to the employees in order to allow them to maintain their personal and professional trainings. The employees carry out their current duties successfully on the one hand through the training programs, organized within or out of the establishment, and can also develop them on the other.

Akfen REIT attributing priority to the satisfaction of personnel requirements to the human resources conducts an intra-company career planning process where an equal opportunity and impartiality is valid and applicable and assessment results are taken as basis. The openness of the employees to innovations and transformations in intra-company career arrangements, motivations on their development from personal and professional point of view and their success-orientation become effective.

Akfen REIT reaches an employee profile that may identify the corporate targets with individual targets, fulfils their responsibilities with high motivation, has team spirit and believes in ethical values and social responsibility at the end of human resources strategies, applied by it successfully. As of the end of 2017, the number of employees at Akfen REIT is 11, at affiliates, however, 11 and all in all a total number of 22.

The average age of the employees is 42 and 28 % of them consists of females.

While Akfen REIT supports the mission and vision of the Company, it will maintain its human resources policies that conform to contemporary values in 2017 as well.

## Risk Management

Early Risk Detection works were brought into a final state within 2012 through the consultancy support of the Company, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. [Deloitte], and the Risk Management Handbook is submitted to the Board of Directors of the Company. It has been decided that the principles taking place at the Risk Management Handbook will be taken as basis in the subsequent internal audits of the Audit Committee. The Risk Management Handbook takes place in the attachment of the report of the Company. In this context, the Company has decided through the decision no. 2013/9 of the Board of Directors, dated as April 25, 2013, to conduct the duties of the Early Risk Detection Committee being conducted currently by the Corporate Management Committee by setting up a separate committee pursuant to the Communiqué having the Series: IV and No. 63 amending the Communiqué having the Series: IV and no. 56 of the Capital Market Committee. Then, the Committee submits the reports, prepared by it with relation to the potential risks, provided to be once in two month-period, to the Board of Directors towards the application of necessary measures and remedies for it, early diagnosis of causes putting the existence and development of Group from the date of its establishment up to the report date and management of the risk, and financial structure, financial position and performance of the Company have been assessed as of December 31, 2017, and no circumstance raising doubt about the loss of capital or company's insolvency has been determined.

## Audit Committee

Company's consolidated and individual financial status table, comprehensive income table, cash flow table and equity change table and Board of Directors Operating Table belonging to the said period were approved together with the footnotes, prepared in conformity with the related Capital Market Committee Communiqué ;

- Not gone through a limited audit belonging to the accounting period of January 01, 2017-March 31, 2017; by the Audit Committee and Board of Directors on the date of June 05, 2017;
- Gone through a limited audit belonging to the accounting period of January 01, 2017-June 31, 2017; by the Audit Committee and Board of Directors on the date of August 04, 2017;
- Not gone through a limited audit belonging to the accounting period of January 01, 2017-September 30, 2017; by the Audit Committee and Board of Directors on the date of October 27, 2017;
- Gone through a independent audit belonging to the accounting period of January 01, 2017-December 31, 2017; by the Audit Committee and Board of Directors on the date of March 07, 2018.

The meeting where important matters, examined by the independent audit firm within the scope of audit and content of independent inspection and audit for 2017 was held on December 19, 2017.

## Audit Report on Early Risk Detection System and Committee

To: the Board of Directors of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

- We have audited the early risk detection system and committee, established by Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Company").  
Responsibility of the Board of Directors
- The Board of Directors pursuant to the first subparagraph of Article 378 of the Turkish Commercial Code ("TTK") no. 6102,  
is responsible for setting up a specialized committee for early diagnosis of causes putting the existence, development and continuation of the Company at jeopardy, application of necessary measures and remedies for this and management of thi risk, and operate and develop the system Responsibility of the Independent Audit Firm.
- Our responsibility is to reach a conclusion with regard to the early risk detection system and committee pursuant to the audit, made by us. In this respect, the audit, carried out by us, has been conducted in accordance with the "Principles Regarding Early Risk Detection System and Committee", published by the Public Oversight, Accounting and Auditing Standards Authority and Turkish Commercial Code. These Principles require the determination of the fact that whether the company has established an early risk detection system and committee, and if established, to evaluate whether the said system and committee are functional within the framework of Article 378 of the Turkish Commercial Code. The conformability of remedies, shown by the early risk detection committee against the risks and any applications, made by the management against the risks, do not take place within the scope of our audit.  
Information on the Early Risk Detection System and Committee
- The Company has set up the early risk detection system and committee, and committee consists of two members, one of them independent member of the board of directors, and the head of the committee will be the independent member. The committee has served duty for early diagnosis of risks putting the existence and development of the Company at jeopardy from its date of establishment until the report date and for this, taking necessary measures and application of remedies and management of risk, and convened six times in 2017 and submitted the reports, prepared by it to the Board of Directors.  
Conclusion
- At the end of the audit, conducted by us, it has been concluded that the early risk detection system and committee of the Company, Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi, is sufficient through all important aspects of it within the framework of Article 378 of the Turkish Commercial Code.

## Profit Distribution Policy

Our Company determines the profit distribution decisions by taking into consideration the provisions of the Turkish Commercial Cod, Capital Market Regulation, Arrangements and Decisions of the Capital Market Committee, Tax Laws, other legislation and Articles of Association of our Company.

Akfen Gayrimenkul Yatırım Ortaklığı adopted a profit distribution policy, based on the submission of a proposal to the General Assembly for the distribution of at least 30 % of the distributable profit from the accounting year of 2012 in consideration of general profitability status of our Company" through the decision of its Board of Directors, made on February 25, 2011.

The Profit Distribution Policy is submitted to the information of the shareholders at the General Assembly. Since there is not any distributable period profit for 2016, it has been decided in unanimity that it was not possible to make any profit distribution at the General Assembly, held in 2017.

The Profit Distribution Policy of our Company is disclosed to Public at the internet site of our Company.

## State Incentives and Aids

According to the Investment Incentive Law no. 47/2000, the Group has an investment incentive at 100 % out of the investments due to be made by it in the TRNC until December 31, 2008.

# Loyalty Report

## Conclusion

Our Company is a member of the group of companies of Akfen holding A.Ş. and we have commercial relationships with the companies, affiliated to the said group of companies. However, when the procedures, made in favour of a controlling company, an affiliate of the controlling company or this or a firm, affiliated to it by the direction of the controlling company, are taken into consideration, there is not any loss in the operating year of 2017, and it is not on the agenda to equalize any interests or loss, incurred by the controlling company.

As a requirement of Article 199 of the Turkish Commercial Code no. 6102, the Board of Directors of our Company has made the following statement at the loyalty report, issued about the relationships of it with the controlling company and any affiliate of the controlling company.

All measures, avoided to be taken or taken in favour of the controlling company or a firm, affiliated to the controlling company in 2017 at the legal procedures, made in favour of the controlling company or a firm, affiliated to the controlling company, through the guidance of the controlling company according to the circumstances and conditions, known by us in all procedures, made in the operating year of January 01, 2017-December 31, 2017 with our Company, controlling company and firms, affiliated to it, have been assessed in this respect.

We hereby declare that our Company has not incurred such loss as a result of any procedure, created according to the circumstances and conditions, known with relation to the operating year of 2017 and no interest has been procured and at the same time, it is not on the agenda to equalize the interests or loss, incurred by the controlling company.

## Report on Compliance to Corporate Governance Principles

### Section: I- Statement of Compliance with Corporate Governance Principles

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company" or "Akfen REIT") conforms to all principles of Obligatory Corporate Governance Principles taking place in the attachment of the "Corporate Governance Communiqué" having the Series: II-17.1 in the period of 2017.

The Company continues to conduct necessary works to conform to the principles that are not obligatory to apply and the approach of our Company with relation to the principles, not complied yet, and final situation are indicated herein below.

Our Company takes necessary steps perpetually in order to reach the highest standards in the field of corporate governance and maintains the works continuously to put some provisions, arranged in an advisory manner into practice. Akfen REIT sees the principles of ethical rules, transparency, fairness, responsibility and accountability as a part of the Company culture.

The Articles of Association of Akfen REIT has been brought into a status conforming to the arrangements that have to take place at the articles of association pursuant to the Corporate Governance Principles through amendments, made from time to time. The Department for Investor Affairs directly reports to the General Director and prepares report at least once annually with relation to the activities, conducted by it, and submit to the Board of Directors. The Manager for the Investor Affairs Department is appointed as the Corporate Management Committee member. Furthermore, one personnel has been appointed in order to serve duty at Department for Investor Affairs, and all these matters were disclosed at the Public Disclosure Platform.

A Committee Responsible for Audit and Corporate Governance Committee were formed up pursuant to the Decision of the Board of Directors, dated as February 16, 2011 in accordance with the corporate governance principles.

Pursuant to the Decision of the Board of Directors of our Company, dated as March 14, 2013, it has been decided for the duties of the Early Risk Detection Committee that are conducted

by the Corporate Governance Committee to be conducted as a separate committee pursuant to Communiqué having the Series: IV and No.: 63 amending the Communiqué having the Series: IV No.56 of the Capital Market Committee.

It has been decided in the resolution of the Board of Directors of our Company bearing the date of May 11, 2017 pursuant to the Corporate Governance Communiqué ("Communiqué") having the Series: II-17.1 :

1. To appoint Mr. Halil Erođlu, Independent Member of the Board of Directors, Mr. Adnan Aydođan, Independent Member of the Board of Directors, Mr. Ahmet Ertürk, Independent Member of the Board of Directors and Mr. Servet Hüseyin Yılmaz, Manager for (Finance and) Investor's Relationships for a period of 1 (one) year, and designate Mr. Halil Erođlu to serve duty as the Chairman of the Corporate Governance Committee therein;
2. To designate the Corporate Governance Committee to serve duty as the Nomination Committee and Fee (Salary) Committee of the Corporate Governance Committee as well.
3. To appoint Mr. Halil Erođlu, Independent Member of the Board of Directors, Mr. Adnan Aydođan, Independent Member of the Board of Directors and Mr. Ahmet Ertürk, Independent Member of the Board of Directors to the Committee Responsible for Auditing for a period of 1 (one) year, and designate Mr. Ahmet Ertürk to serve duty as the Chairman of the Committee Responsible for Auditing therein;
4. To appoint Mr. Halil Erođlu, Independent Member of the Board of Directors, Mr. Selim Akin, Member of the Board of Directors and Mrs. Pelin Akin, Member of the Board of Directors, and designate Mr. Halil Erođlu to serve duty as the Chairman of the Early Risk Detection Committee therein.

The Board of Directors of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. supports the Executive Management and all employees at every stage so that the Corporate Governance Principles to be placed in the structure of the enterprise.

Following the adaptation of the Corporate Governance Principles within the structure of the Company, the Corporate Governance Principles Compliance Report where it is declared that the activities will be realized within the direction of equality, transparency, accountability and responsibility, has been disclosed in the attachment of the Company's Operating Report.

## Section: II - Shareholders

### 2.1. Investor's Relationship Department

The applicable legislation, Articles of Association of the Company and other intra-Company arrangements are conformed thereto in the exercise of shareholding rights, and relevant measures that will allow the exercise of such rights are taken.

- The Investor's Relationship Department reports to Mr. Fuad Sertaç Karaađaođlu, General Director of Akfen REIT.
- The Investor's Relationship Department submitted the report that it prepared with relation to the activities, conducted within 2017 to the attention of the Board of Directors and executive management of the Company on December 31, 2017.
- The Investor's Relationship Department is conducted by Mr. Hüseyin Yılmaz, Finance and Investment Relationship Manager of Akfen REIT holding the Capital Market Committee Advanced Level and Corporate Governance Rating Expertise.

The Investor's Relationship Department operates to present accurate, timely and consistent information on Akfen Gayrimenkul Yatırım Ortaklığı to the current and potential investors; and raise the recognition and credibility of the Company and to bring down the capital cost of the Company by the application of corporate governance principles, and to ensure communication between the Board of Directors and capital market participants. In parallel to this target, our Company attributes great importance to the communication with the shareholders and investors, and maintains active investor's relationships program.

The Investor's Relationship Department reports to the General Director at the organization chart and at the same time, makes reporting to the Board of Directors about its activities. Primary duties of the Investor's Relationship Department that is a communication bridge between the Board of Directors and financial world are as follows

The Investor's Relationship Department pay necessary attention and care to use electronic communication opportunities and internet site of the Company in its entire activities or works.

- To ensure the correspondences, made by and between the Investors and Company and records pertaining to other information and documentation in a sound, reliable and current manner;
- To answer the written information requests of the partnership shareholders with relation to the partnership;
- To prepare documents that have to be submitted to the information and examination of the shareholders with relation to the General Assembly; and take measures that will ensure the general assembly meeting to be held in accordance with the related regulation, articles of association and other intra-partnership arrangements; and
- To observe and follow up the fulfilment of obligations arising from the capital market regulation including all sorts of matters pertaining to the Corporate Governance and public disclosure.

The information for access of the Investor's Relationship Department is published at the internet site: [www.akfengyo.com.tr](http://www.akfengyo.com.tr) and operating reports. It is possible to get in touch with the Investor's Relationship Department for all sorts of requests and questions through the address of: [gyoyatirimci@akfengyo.com.tr](mailto:gyoyatirimci@akfengyo.com.tr).

Various negotiations were made with the existing and potential investors in 2017. Face-to-face negotiations have been made upon requests coming on the activity results, performance and other developments of our Company with the shareholders and analysts, and furthermore, the questions of our individual investors through telephone calls have been answered.

## 2.2 Exercise of Rights to Information by the Shareholders

It is a principle to behave equally in the exercise of the right to information and examination by and between the shareholders, potential investors and analysts and to convey our explanations to everybody at the same time with the same content. All sorts of information that may interest the shareholders and market players are announced through special status explanations within the scope information sharing and all special status explanations take place at our internet site both in Turkish and English.

Various numbers of written and verbal information requests coming from the shareholders are answered under the supervision of the Investor's Relationship Department and within the Capital Market Regulation arrangements without any delay. For the objective to extend the shareholders' rights to information, all sorts of information that may affect the exercise of rights are presented to the information of the shareholders at our internet site. All information taking place at our internet site is presented in Turkish and English on an equal basis to the use of domestic and foreign shareholders.

There is not any arrangement or restriction available at the Articles of Association of the Company with relation to a request for the appointment of a special auditor. There is an article in the Internal Directive on the Work Principles and Procedures of the General Assembly of the Company saying a special audit request of any shareholders irrespective of whether it takes place on the agenda or not is resolved. The Company avoids from any procedures making the execution of a special audit difficult.

No request was made to our Company about the appointment of any special auditor.

## 2.3 General Assembly Meetings

The Ordinary General Assembly Meeting of Our Company for 2016 was held at the Meeting Hall, located at the Head Office of our Company, on the date of May 11, 2017 at 14:00 hours. The invitation pertaining to the meeting, required to be held in accordance with the provision of Article 414 of the Turkish Commercial Code, has been made within the envisaged period of time through announcement at the Electronic General Assembly System of the Central Registry Agency and at the internet site of the Company, and at the Turkish Trade Registration Journal of April 13, 2017 having the issue number: 9305 in a manner to contain the agenda and in a way as is envisaged at the Turkish commercial Code and Articles of Association of the Company.

Upon examination of the attendants' List, it has been understood that 1.000 Group A Shares referring to a share of TRY 1.000, 1.000 Group C Shares referring to a share of TRY 1.000, 1.000 Group D Shares referring to a share of TRY 1.000, and a total number of 139.830.919 Group B Shares, 4.755 of which at electronic media and 139.826.64 physically referring to a total value of TRY 139.830.919, all in all, a total amount of capital of the Company as a whole corresponding to TRY 184.000.000 were represented at the meeting, thus, minimum meeting quorum, envisaged at the applicable regulation and articles of association was available therein.

The subject matters taking place at the agenda have been indicated in an impartial and detailed manner as well as a clear and comprehensible way, the wording or expressions, used there under, are not in nature causing different interpretations; the shareholders were allowed to bring forth and explain their opinions under equal opportunities, and a sound<sup>56</sup> discussion environment created.

It is possible to reach the minutes of our General Assembly meeting from our internet site ([www.akfenREIT.com.tr](http://www.akfenREIT.com.tr)), Public Disclosure Platform and Turkish trade Registration Journal.

The matter indicating that the Company made donations and aids in 2016 referring to a total sum of TRY 500.000,00 has been submitted to the attention of the General Assembly.

Furthermore, it is accepted by a majority to determine that the total upper limit for donations to be made in 2017 will be TRY 500.000,00.

## **2.4 Voting Rights and Minority Rights**

Applications making the exercise of voting rights are avoided at our Company, and every shareholder is provided the easiest and most convenient manner to exercise the voting right

According to the articles of association of our Company, all shares have 1 voting right for each share. The Group A, C and C shares are the registered shares and not traded at the BİAŞ (Istanbul Stock Exchange).

There is not any arrangement at our company that will envisage the exercise of voting right after a certain period of time from its date of acquisition.

There is not any provision at the articles of association of our Company preventing the person, who is not a shareholder, from voting as a representative.

The exercise of minority rights at our Company is subject to the communiqués and decisions of the Capital Market Committee, Turkish Commercial Code, Capital Market Law and related regulation. There has not been any regulation, included at the articles of association, in addition to these provisions. It is envisaged to exercise minority rights at our Company in conformance to the mentioned regulation. Furthermore, it is ensured that the minority is represented at the management through three independent member taking place at the Board of Directors.

## **2.5 Dividend Right**

Our Company determines its dividend distribution decisions by taking the provisions of the Turkish Commercial Code, Capital Market Regulation, Capital Market Committee Arrangements and Decisions, Tax Laws and other related legislation into consideration

There is not any privilege between the share groups in the dividend distribution.

Our Company strategies, capital requirement of our subsidiaries and affiliates, investment and finance policies, profitability and cash position are taken into consideration in the dividend distribution decision.

The mode and time of the profit, decided to be distributed, will be resolved by the General Assembly upon proposal of the Board of Directors on the subject matter thereof. The dividend to be distributed subject to the decision to be made at the General Assembly may either be cash as a whole or bonus share on entire basis, or it is possible to determine the same as partially in cash and partially bonus share.

Approved at the General Assembly Meeting of Akfen. Gayrimenkul Yatırım Ortaklığı A.Ş. through a Board of Directors' Decision, made on February 25, .2011;

“By taking the general profitability status of our Company into consideration, a profit distribution policy has been adapted, based on a principle “to submit a proposal to the General Assembly for the distribution of at least 30 % of the distributable profit from the accounting period of 2011, and the said Profit Distribution Policy aims to make the mentioned profit distribution, made on May 11, 2017 with relation to the year 2016, within a period of six months the latest following the distribution decision of the General Assembly, and it is the General Assembly that will decide upon on the profit distribution date. The General Assembly or the Board of Directors in case related authorization is granted upon it, to the Capital Market Arrangements as are indicated heretofore, and profit distribution policy, approved by the shareholders at the general assembly, as is indicated hereinabove are included at the operating report and published at the Turkish trade Registration Journal and announced to the public at the internet site of the Company and Public Disclosure Platform.

Since there is not any period profit to be distributed in 2016, it has been decided in unanimity at the General Assembly that it is not possible to distribute any profit.

The internet site of our Company is actively used in the Public Disclosure as is envisaged by the Principles of the Capital Market Committee Principles.

## 2.6 Assignment of Shares

Assignment and transfer of bearer shares at our Company are subject to the provisions of the Turkish Commercial Code, Capital Market Law and related regulation. The assignment of bearer shares cannot be restricted according to the articles of association of our Company.

According to the articles of association of our Company, the assignment of partnership shares before Public offering is subject to the permission of the Board irrespective of any rate. In the share Assignments taking place within the scope of this article, the qualifications, sought at the incorporations, are sought in new partners (shareholders), who will acquire share at the partnership.

## Section: III – Public Disclosure and Transparency

### 3.1. Corporate Internet Site and its Content

All matters pertaining to the “Department for Investor’s Affairs” take place at the internet site: [www.akfenREIT.com.tr](http://www.akfenREIT.com.tr) .

All information taking place at the Internet site is prepared in English Language in order to enable any foreign investors

There is an opportunity of access into the information, disclosed by our Company to the Public, out of the Internet. The following information takes place at the internet site: [www.akfenREIT.com.tr](http://www.akfenREIT.com.tr) :

- History (Background) of our Company,
- Management and Partnership Structure as of the final position,
- Board of Directors and Board of Director committees,
- Final Status of the Articles of Association,
- Meeting Agenda of the General Assembly, notification document, form for the exercise of voting in proxy,
- Explanations and public offering circular,
- Continuous information form,
- Real property appraisal reports,
- Monthly investor reports,
- Profit distribution policy,
- Trade Registration information,
- Operating reports,
- Corporate Governance Principles Compliance Report,
- Information Policy,
- Profit Distribution Policy,
- Ethical Rules,
- Periodic financial tables and reports,
- Special status/situation explanations,
- Information, graphs pertaining to the Share certificate price and performance,
- Investor’s affairs communication information,
- Company communication information.

All of the Capital Market Committee Corporate Management Principles that may be in nature to be applicable on our company are published at the internet site of our company and updated accordingly.

### **3.2 Operating Report**

The operating report of Akfen Gayrimenkul Yatırım Ortaklığı is prepared in due details enabling the public to have accurate and correct information about the activities of the Company and in accordance with the matters, indicated in the applicable regulation.

The operating reports are prepared in consideration of all matters, indicated at the Corporate Governance Principles and additionally, the arrangements taking place both at the Turkish Commercial Code and Capital Market Committee regulation and information due to take place pursuant to the Regulation on Determination of Minimum Content of Annual Operation Reports of the Companies, issued by the Ministry of Customs and Trade and published in the Official Gazette, dated as August 28, 2012.

## **Section: IV - Stakeholders**

### **4.1. Informing the Stakeholders**

The corporate governance applications and ethical rules of our Company guarantee the rights of the stakeholders, regulated by applicable regulations and reciprocal contracts. The stakeholders are informed continuously within the framework of information policy, created by the Company as a requirement of existing legislation. Furthermore, it is also aimed to inform all stakeholders through press bulletins, operating report, internet site and information policy of us, based on transparency.

The employees of our Company are expected to fulfil their obligations while doing their works, by valuing the interests of the Company above the interests of their own, family and close associates. The employees keep avoiding from all sorts of initiatives that may mean deriving personal benefits or providing interests to their close associates.

Any predictable circumstances of conflict of interest and circumstances, defined by the management of the Company are shared with the Company's employees and at this point, the Company takes necessary measures.

The stakeholders are able to transmit any procedures of the Company that are contrary to applicable regulation and not convenient from ethical point of view to the Corporate Governance Committee and Committee Responsible for Audit through the independent members, who are the heads of such committees at the same time

### **4.2. Participation of the Stakeholders in the Management**

There is not any model and mechanism on the participation of the stakeholders in the management. However, the independent members taking place at the Board of Directors enable all stakeholders along with the shareholders of the Company to be represented at the management. The opinions of the stakeholders are

### 4.3. Human Resources Policy

The fundamental principles of the human resources policy of our Company are summarized herein below:

- Our Basic Human Resources policy to bring together the requirements of the work with the skills and qualifications of the employees and select the human resources according to modern criteria and principle of equal opportunity for everyone, and develop, evaluate and conduct the same in this respect.
- The Human Resources management is obliged to create a dynamic, innovative and progressive environment and raise the performance of the employees and to bring the corporate target down to personal targets, by doing so, give support to achieve the targets of the Company in an effective and efficient manner.
- Our employee profile is a high and distinguished human resource being open to transformation and development, having high motivation, believing in teamwork and group spirit, using the sources and time efficiently and having social responsibility sentiment.
- The relationships with the employees are conducted by the Accounting Manager (Human Resources and Administrative Affairs), Mr. Yusuf Anil on representation basis.
- Our ethical understanding constitutes the basic foundation of our field of work. A comfortable and efficient work environment is created in our Company away from any discrimination, mobbing and favouritism, and through a fair and transparent approach. There has not been any complain so far delivered by any of our employees on the subject matters hereof.

As of December 31, 2017, the total numbers of employees working at Akfen Gayrimenkul Yatırım Ortaklığı and its affiliates and enterprises subject to common management are 22.

### 4.4 Ethical Rules and Social Responsibility

#### Ethical Rules

Akfen Gayrimenkul Yatırım Ortaklığı has declared the "Ethical Rules", which it has defined in order to add material value to the stakeholders and raise the corporate value of the same, as the principles and rules that have to be conformed by all managers and employees, and published these rules at its internet site.

It is aimed by these rules to ensure the managers and employees of the Company, Akfen Gayrimenkul Yatırım Ortaklığı, to exhibit behaviours at high standards, be aware of the corporate effects of their behaviours and acts, and ensure the use of the most accurate and correct methods with relation to the shareholders and company's activities and exhibition of the highest qualification actions.

#### Social Responsibility

Our Company pays utmost attention to behave sensitively towards its social responsibilities in its activities and provides support to any organizations pertaining to its own sector.

With relation to these matters, there is not any inspection, legal action or any other legal dispute or sanction, filed or initiated in disfavour of our Company or its subsidiaries.

## Section: V – Board Directors

### 5.1 Executive Board and Formation

The formation and election of the Board of Directors are effectuated in accordance with the Corporate Governance Principles, and the principles pertaining to the foregoing take place at the Articles of Association of our Company.

According to this:

The management of the Company, binding and representation of the same towards any third parties are carried out by a Board of Directors consisted of 9 (nine) members and majority of whom is not designated at execution and bearing the qualifications, indicated at the Capital Market Regulation and Turkish Commercial Code and elected by the General Assembly within the framework of the provisions of the Turkish Commercial Code.

The Board of Directors shall elect a Chairman in the first Board of Directors meeting among its members in order to chair the meetings of the Board of Directors and a Vice-Chairman to act as a Chairman in his/her absence. A sufficient number of independent members of the Board of Directors shall be elected by the General Assembly within the framework of principles pertaining to the independence of the members of the Board of Directors, indicated in the Corporate Governance Principles of the Capital Market Committee, to the Board of Directors, provided not to be less than two (2). An explanation pertaining to the independence of the members of the Board of Directors takes place at the annual operating report of the Board of Directors.

Names, Surnames and backgrounds of our Members of the Board of Directors being determined in accordance with the Articles of Association of our Company and serving duty in 2017 are indicated herein below:

- Mr. İbrahim Süha Güçsav, Chairman of the Board of Directors/ Managing Director – Member of the Executive Board of Directors
- Mr. Mustafa Keten, Vice- Chairman of the Board of Directors – Member of Non-Executive Board of Directors
- Mrs. Pelin Akın Özalp, Member of the Board of Directors – Member of the Executive Board of Directors
- Mr. Selim Akın, Member of the Board of Directors – Member of the Executive Board of Directors
- Mrs. Sıla Ciliz İnanç, Member of the Board of Directors – Member of the Non-Executive Board of Directors
- Mr. İrfan Erciyas, Member of the Board of Directors – Member of the Non-Executive Board of Directors
- Mr. Adnan Aydoğan – Independent Member of the Non-Executive Board of Directors
- Mr. Halil Eroğlu - Independent Member of the Non-Executive Board of Directors
- Mr. Ahmet Ertürk - Independent Member of the Non-Executive Board of Directors

Our Company does not have any Executive Committee. The Chairman of the Board of Directors and General Director are not the same person. There is not any member of the Board of Directors, authorized to represent and bind the Company on individual basis.

In the event that the Independent Members of the Board of Directors submit a declaration of independence to the Board of Directors pursuant to the applicable regulation and their independences disappear in any manner, it will be obligatory for them on immediate basis to notify the Board of Directors about the subject matter thereof. Any person, who may have served a membership duty at the Board of Directors for a total duration of 6 years within the last ten years, cannot be appointed as an independent member to the Board of Directors.

The assignment of any other duty(ies) by the members of the Board of Directors apart from our Company are not made subject to and/or limited by certain rules. The duties of the members of the Board of Directors beyond the Company are indicated in their backgrounds.

## Backgrounds of the Members of Our Board of Directors

### **İbrahim Süha Güçsav – Chairman of the Board of Directors**

Mr. İbrahim Süha Güçsav was graduated from the Faculty of Economics of the University of Istanbul in 1992 and completed his master degree course at the Department of Business of the Social Sciences Institute of the Gazi University. He stepped in his professional career in 1992 at the company, titled as Alexander&Alexander Sigorta Brokerliği A.Ş. Mr. Güçsav, who joined in the Akfen Holding family in 1994, has undertaken important roles there during his duties as Finance Group Chairmanship and Chairmanship of Executive Committee, conducted there under, on the matters such as vehicle inspection stations, privatization of Mersin International Port and IDO (Istanbul Sea Buses), establishment and investment processes of Akfen REIT, and public offerings of Akfen Holding and Akfen REIT, share sales from subsidiaries and long-term project finance. Mr. İbrahim Süha Güçsav, following his duty as the Vice Chairman of the Board of Directors of Akfen Holding, served by and between the years of 2003-2010, became a Member of the Board of Directors of Akfen Holding between March 2010 and May 2012. Mr. Güçsav, who has been the CEO of Akfen Holding since March 2010, serves the duties along with the one heretofore as the Chairmanship of the Board of Directors of Akfen REIT and Akfen Su, and Membership of the Board of Directors at the subsidiaries of the companies, titled as Mersin Uluslararası Liman İşletmeciliği A.Ş. and Akfen HES Yatırımları ve Enerji Üretim A.Ş. At the same time, Mr. Güçsav, who is the President of the Business Council of Turkey-Singapore, was appointed in October 2014 as the Honourary Business Representative of International Trade and Investment Agency in Turkey operating within the structure of the Ministry of Trade and Industry of Singapore.

### **Mustafa Keten – Vice-Chairman of the Board of Directors**

Mustafa Keten graduated from the Economic Management Department of the Academy of Economics and Social Sciences of Istanbul in 1968. Mr. Keten, who started its career as an Assistant Specialist in the State Planning Organization in 1970, completed his master degree course in the field of the Development Administration in the Social Sciences Institute of Holland in 1978. Furthermore he served various duties as, for instance, the Head of the Regions with Development Priority at the DPI between 1979-1983, and then, Undersecretariat of Agriculture, Forestry and Rural Affairs, Consultancy of the Prime Ministry, Head of the Private Environment Protection Board, General Director for Foundation of the Prime Ministry and also Head of Assembly of the Foundations during the period covering years of 1984-1999. He took duty in the Boards of Directors of the Company, Petkim and Tamek Gıda, during the period when he was at the public sector, and served duty as the Chairman of Güneş Sigorta (Insurance) and Vakıfbank. Mr. Keten, who joined in Akfen Holding as the Vice-Chairman of the Board of Directors in 1999, serves duty as a teaching assistant in various educational institutions among the responsibilities in his work life. Along with these duties of him, serves duties as a Member of the Board of Directors of Eurasia Business Council, Turkish Russian Business Council and Turkish-Georgian Business Council, and Chairmanship of the Turkish-Moldovian Business Council. He is currently engaged in the duties as the Vice-Chairman of the Board of Directors of IYD and Vice-Chairman of the Tourism Assembly of the TOBB (Union of Chambers and Commodity Exchanges of Turkey) and Member of the Board of Directors of TMOK (Turkish National Olympic Committee).

### **Pelin Akin Özalp – Member of the Board of Directors**

(Mrs) Pelin Akin Özalp, who graduated from the Department of Management in Spanish of the Surrey University of United Kingdom in 2010, started her career firstly at the Strategy department of the Bank Finance department of Deutsche Bank in Madrid. Upon her return to Turkey, she began working within the structure of the Company, TAV Havalimanları Holding and took part in the MT program in order to be trained as a future (potential) manager. At current period, she serves duties as a Member of the Board of Directors and a Member of the Corporate Management Committee of Akfen Holding as well as the Member of the Board of Directors of IBS Sigorta İvareassürans Brokerliği and Akfen REIT.

Mrs. Özalp taking place in various work groups at the Foreign Economic Relations Board Spanish Business Council and Foreign Economic Relations Board English Business Council is also engaged in active works as the Member of the Board of Directors as well as the Member of the Board of Trustees at TİKAV (Human Resources Education and Health Foundation of Turkey), founded by Akfen Holding in 1999. Mrs. Akin, who serves duty as the Deputy Chairman of the Duke of Edinburgh International Award Turkey Program, also conducts the duty as the Chairman of the Consultancy Board at the Contemporary Researches Department for Turkey, founded at the London School of Economics (LSE) since 2010. Furthermore, Mrs Pelin Akin Özalp, who has taken up the organization of the Tatlıdil Forum, founded in 2011 in order to strengthen the relationships in political, economic and cultural fields between Turkey and United Kingdom, has memberships at the TUSİAD (Turkish Industrialists' and Businessmen's Association), TİKAD (Turkish Businesswomen Association), TÜRKONFED (Turkish Enterprises and Business World Federation), Young Chairmen Organization (YPO), Substructure and Investments Committee at the B-20 Executive Committee, Young Entrepreneurs' Consultancy Group of the Union of Chambers and Commodity Exchanges of Turkey and World Economic Forum Global Shapers. Mrs Akin was elected to the substitute membership of the Board of Directors of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) in 2015 and furthermore, Memberships of the Board of Directors of TÜRKONFED, PODEM (Public Policy and Democracy Studies) and TAİDER (Association for Family Enterprises).

### **Selim Akin – Member of the Board of Directors**

Mr. Selim Akin, who graduated from the Business Management Department of Surrey in the United Kingdom in 2006, served a duty as the Chairman of the Turkish Association during the university years and became a member of the Young Businessmen Association of Turkey when he returned to Turkey and currently, conducts the duty as the Chairman of the Trade Commission. Mr. Selim Akin started his career at the Accounting Department of Akfen Holding and worked at the Project Development and Finance Departments. The projects where he took on duty are predominantly privatization and finance of the Vehicles Inspection Stations, privatization and finance of the Mersin Port and public offering and bond issuance processes of Akfen Holding. Mr. Akin currently serves the duty as the Chairman of the Board of Directors of the Company, Akfen İnşaat ve Turizm A.Ş., and additionally, Vice-Chairman of the Board of Directors of Akfen Holding and a Member of the Board of Directors at the subsidiaries of Akfen Holding.

### **Sıla Ciliz İnanç – Member of the Board of Directors**

Mrs. Sıla Ciliz İnanç graduated from the Faculty of Law of Marmara University in 1995 and joined in Akfen Holding in 1997 following the completion of her law internship in 1996. She was engaged in company and holding structurings along with the fields of construction, energy and competition law as well as the conduct of works such as Private Sector-Public Sector Partnerships (PPP) in Turkey, company takeovers, mergers of companies. Mrs. İnanç has involved in an active duty in the secondary legislation works of the Public Tender Law. She has also taken part in all processes including tender and assignment of the privatization applications as well as build-operate-transfer, right/privilege assignments where Akfen and its partnerships are a party thereof and establishment of finance structure of projects and loan contracts, and public offerings and conformance to the capital Market Committee by Akfen Holding A.Ş. and Akfen REIT A.Ş. Mrs. Sıla Ciliz İnanç, who is currently Deputy General Director of Akfen Holding A.Ş., continues to serve duties of memberships in various partnerships of the Holding.

### **İrfan Erciyas – Member of the Board of Directors**

Mr. İrfan Erciyas graduated from the Department of Economics and Finance of the Gazi University in 1977. He started his career as an Inspector and Branch Manager of the bank, Türkiye Vakıflar Bankası, and carried on his duty there between the years of 1996-2002 as the Deputy General Director and in 2002- 2003, however, as the General Director, and afterwards, he joined in Akfen Holding as the Vice-Chairman of the Board of Directors in 2003. Mr. Erciyas has served important duties at the Holding predominantly in the privatization process of vehicle inspection stations, Mersin International Port and IDO (Istanbul Sea Buses), and establishment and investment processes of the companies, Akfen REIT and Akfen Enerji, public offerings of Akfen Holding and Akfen REIT, share sales from the subsidiaries and long-term financing. Mr. İrfan Erciyas has been maintaining his duty as a Managing Director at Akfen Holding since March 2010 serves duty as a Chairman and Member of the Board of Directors in various subsidiaries and affiliates of the Holding.

### **Ahmet Ertürk – Independent Member of the Board of Directors**

Mr. Ahmet Ertürk, who was born in Malatya in 1953, graduated from the Faculty of Political Sciences of the University of Ankara in 1975 and served duty as a Finance Inspector between 1976-1985 carried out a study for and on behalf of the Ministry of Finance on the “British privatization experience” in London during a period of 1984-1985. Mr. Ertürk, who served a duty as the Assistant Secretary General of the TÜSİAD (Turkish Industrialists' and Businessmen's Association) during the years of 1986-1988, took on the duties as a General and General Director's Consultant at the Turkish Marine Enterprises between the years of 1989-1991. Mr. Ahmet Ertürk having worked as the Deputy General Director of Albaraka Türk at the finance sector between the years of 1992-2002 has served a duty as a Member of the Capital Market Committee (SPK) and thereafter, took on the duty as a Chairman of the Saving Deposit Insurance Fund (TMSF) 2004-2009. Mr. Ertürk, who served duty as the Chief Consultant of the (Turkish) President in the field of economy between 2010-2014 is married and father of two, and in good command of English language. He is currently serving duty as the Independent Member of the Board of Directors at Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

### **Halil Eroğlu – Independent Member of the Board of Directors**

Mr. Eroğlu, who was born in 1952 at Karşıya District (of İzmir), has completed his primary school education in seven different schools due to the fact that his father was a civil servant and graduated from the Faculty of Political Sciences of the Ankara University in 1974 after having studied for seven years a boarding student at the Government College of İzmir (Bornova Anatolian High School-BAL). After having served duty as an inspector in the Bank, Türkiye İş Bankası, where he started his banking career therein, he worked at various tasks in the General Directorate and branches, and served duty as a General Director at Dışbank (currently closed) and İş Leasing. He became a General Director at Sınai Yatırım Bankası (Industrial Investment Bank) in 2001. Following the merger of this Bank with Türkiye Sınai Kalkınma Bankası (TSKB/ Turkish Industrial Development Bank) in 2002, he worked there as a general director and retired in 2002. While working and after his retirement, he served duty as the chairman and member of the board of directors in various establishments. At current period, he works at Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. as an Independent Member of the Board of Directors.

## **Adnan Aydođan – Independent Member of the Board of Directors**

Mr. Adnan Aydođan graduated from the Government College of Diyarbakır in 1980, Elazıđ High School in 1983 and Department of Public Administration of the Faculty of Economics and Administrative Sciences of the Gazi University in 1987. He completed his master degree course, however, at the Administrative Sciences of the Social Sciences Institute of the Gazi University, and served duty at the Undersecretariat of State for Defence Industry as a Specialist (Project Coordinator), and afterwards, as a Project Monitoring and Finance Branch Manager and Head of the Fund Management Division. Finally, Mr. Aydođan, who works as a Chairman of Administrative Affairs and Subsidiaries within the structure of TAİ quitted TAİ in 2013. Currently, serves duty as an Independent Member of the Board of Directors of Akfen Gayrimenkul Yatırım Ortaklıđı A.Ş.

## **F. Sertaç Karaađaođlu – General Director**

Mr. Sertaç Karaađaođlu, who started his professional career as a portfolio manager at the bank, Toprakbank, in 1996 worked as the portfolio manager at the Kentbank between 2000-2001. Mr. Karaađaođlu having joined in the Fortisbank (Dişbank) in March 2001 took on duties at different managerial positions as the Portfolio Manager, Branch Manager, KOBİ (Small and Medium Scale Enterprises) Director of the Central Anatolia Regional Office, Manager of the Eastern Mediterranean Region and director responsible for Credits. Mr. Karaađaođlu, who continued his professional career as the Credits Allocation Directors at TEB BNP Paribas between 2011-2012 worked at the Istanbul Stock Exchange between the years of 2012-2016 as a Quotation and Special Market Group Director in the fields of public offerings, bond issuances and company purchases. Mr. Sertaç Karaađaođlu, who graduated from the Department of Political Sciences and Public Administration of the Faculty of Economics and Administrative Sciences of the Middle East Technical University (ODTÜ) in 1996, completed his Master Degree Course in the field of Business Management at the Maltepe University in 2015

## **Qualifications of the Members of the Board of Directors**

Those of persons, who are nominated in the election to the memberships of the Board of Directors and elected as members there under, have the qualifications taking place in the Corporate Governance Principles of the Capital Market Committee.

The Board of Directors is structured in a manner to ensure effect and activity at the highest possible level. The principles pertaining to the subject matter have been indicated in Article 14 of the Articles of Association of the Company. It is a principle to elect the members of the Board of Directors among the persons, who have fundamental knowledge about legal principles regulating due procedures and dispositions pertaining to the field of engagement of the Company, and are educated and have experience on company management, and have competence to discuss and examine financial tables and reports and are preferably graduated from a higher education institution.

## **5.2. Principles of Activity of the Board of Directors**

The members of the Board of Directors are ensured to obtain all sort of information in a timely manner in order to enable them to fulfil their duties on full basis.

A Board of Directors Secretariat reporting to the Chairman of the Board of Directors was formed up in order to give services to the members of the Board of Directors for keeping the documentation with relation to the meetings of the Board of Directors in a regular manner.

Our Board of Directors meetings are planned and realized in an effective and efficient manner. The members of the Board of Directors are convened at times when the affairs of the Company may necessitate as is regulated through the Articles of Association.

- The Board of Directors may convene upon a call by the Chairman or Vice-Chairman, or application by any member of the Board of Directors in writing to the Chairman or Vice-Chairman and request them to make a call upon the Board for a meeting.
- The agenda of the meetings of the Board of Directors is determined by the Chairman of the Board of Directors, and it is possible to make an amendment on the agenda through a decision of the Board of Directors.
- The Independent Member of the Board of Directors receives a monthly honorarium to be determined by the General Assembly. No payment is made to the Members of the Board of Directors, who are not independent.
- The meeting quorum of the Board of Directors is established by the attendance of at least 5 members.

- Decisions at the meeting of the Board of Directors are made by the exercise of majority voting by the attendants at the meeting in the same direction.
- Every member has one voting rights at meetings and the voting right is exercised in person. Unless any of the members comes up with a request to hold a meeting, then it may be possible to make a decision through notification of the consent of other members in writing.
- If any denunciation is made by a legal entity shareholder to the Board of Directors indicating that the member representing the legal entity shareholder had no connection any longer with the said legal entity, then, the mentioned member will be deemed as resigned and the Board of Directors elects the person, determined by the related legal entity shareholder, as the member of the Board of Directors instead of the foregoing member.
- The members, who do not attend in the meeting, cannot cast their votes either in writing or any other way unless it is based on a reasonable excuse.

The Board of Directors convened 17 times in total within 2017. A great of majority of meetings have been attended in full and decisions pertaining thereto have been made in unanimity. A "Manager Liabilities' Insurance having a total limit of Euro 12.000.000 was bought for the members of the Board of Directors referring to the period of 2016-2017.

### **Prohibition to Compete and Execute Transactions with the Company**

The request to grant authorizations upon the Chairman and members of the Board of Directors on the execution of procedures, written in Articles 395 and 396 and Article 1.3.7. of the Communiqué Pertaining to the Determination and Application of the Corporate Governance Principles, published by the Capital Market Committee has been approved by the shareholders at the General Assembly meeting of May 11, 2017.

### **Authorizations and Responsibilities of the Managers and Members of the Board of Directors**

The Board of Directors consisting of 9 (nine) members having the qualifications, indicated in the Turkish Commercial Code and Capital Market Committee, is elected by the General Assembly for a maximum period of 3 (three) years and majority of the Board of Directors consists of the non-executive members. Furthermore, the independent members bearing the independence criteria, defined in the Corporate Governance Principles of the Capital Market Committee and deemed as obligatory there under are elected in number, provided not to be less than 2 (two) persons. It is possible for the members whose duty periods are expired, to seek re-election.

At current period, a total number of 9 (nine) persons, three of whom independent members of the Board of Directors, nominated by the Board of Nomination, have been elected to the Board of Directors to serve duty for a period of 1 (one) year at the Ordinary General Assembly Meeting, held on May 11, 2017, and duty period of the Board of Directors will expire on May 10, 2018.

The Board of Directors fulfils the duties, granted upon it, according to the provisions of the Turkish Commercial Code, Capital Market Law, Articles of Association of the Company, general assembly resolutions and provisions of related legislation. The Board of Directors is authorized to make decision(s) on all matters remaining beyond the subject matters due to be subject to a decision, made by the General Assembly, and applicable law and Articles of Association.

The Company will be managed by the Board of Directors, and bound and represented by the same in external matters. The Board of Directors is authorized to assign the management duty to one or more members of the Board of Directors or any third party according to an internal directive due to be issued by it. This internal directive arranges the management of the company, and defines duties necessary for this and indicates related positions of them, and determines especially who will report to who and who is obliged to provide information. In case the management is not assigned, then, it will belong to all members of the Board of Directors. The Board of Directors may assign its authorization for representation to one or more managing directors or any third parties as a director. It is necessary for at least one member of the Board of Directors to have a representation authorization.

The mentioned Internal Directive ("Internal Directive") has been approved at the Board of Directors Meeting of April 30, 2015 pursuant to Articles 367 and 371 of the Turkish Commercial Code no. 6102, dated as January 13, 2011 and registered on the date of May 28, 2015 and came into force upon its publication at the Turkish Trade Registration Journal of June 03, 2015 having the issue no. 8833. The duties, authorizations and responsibilities of the Group A Members of the Board of Directors, General Directors, Deputy General directors and Project Managers are regulated at the Internal Directive in a clear manner.

Within the framework of the Internal Directive, the following individuals, named as:

- Mr. Fuad Sertac Karaağaoğlu has been elected as the General Director until the date of October 01, 2019;
- Mr. Memduh Okyay Turan has been elected as the Deputy General Director for Hotel Operations until the date of April 30, 2018, and
- Mr. Yusuf Anil, however, as the Deputy General Director for Financial Affairs until the date of October 01, 2019.

### **5.3. Number, Structure and Independence of the Committees, Formed up at the Board of Directors**

Necessary committees will be formed up within the structure of the Board of Directors in order that the duties and responsibilities of the Board of Directors are fulfilled in a sound manner pursuant to the arrangements of the Capital Market Committee and related regulation. The matters such as the fields of duties of the Committee, principles of works and which members they will be consisted of will be determined by the Board of Directors and disclosed to the public.

The Board of Directors may set up sufficient number(s) of committee(s) or commission(s) among its members on various matters such as following up the functioning of affairs, preparation of the matters to be submitted to it, deciding on the preparation of the balance sheet especially on all important matters and observation of the application of decisions so made.

The committees are convened at required frequency for the affectivity of the works.

#### **Corporate Governance Committee**

The Corporate Governance Board works in a manner of directly reporting to the Board of Directors provides help to the Board of Directors for the formation and development of necessary structure and applications for the management of the Company in accordance with the Corporate Governance Principles, accepted at international level, and setting up a salary system for the executive managers, and coordination of development and career planning.

The Corporate Governance Committee gives support to the Board of Directors by way of conducting works on the matters for the conformance of Akfen REIT to the principles of corporate governance principles; determination of the members of the Board of Directors and executive managers, fee, award and performance evaluation, career planning, investor's affairs and public disclosure and so on. The Corporate Governance Committee consists of three members to be appointed among the members of the Board of Directors and Department Manager on Investor's Affairs. The head of the Corporate Governance Committee is appointed by the Board of Directors.

The Corporate Governance Committee is responsible to follow up the conformance of the Company to the corporate governance principles, and have a duty especially for the realization of following matters:

To search thoroughly to what degree the corporate governance principles are applied at the Company and in case they are not applied, then, to determine the reasons behind it and to find out any negative matters developing as a result of the lack of full application and to propose the relevant remedial measures to be taken,

- and to propose the relevant remedial measures to be taken,
- To ascertain any methods that will provide transparency in the determination of member candidates to be proposed to the Board of Directors,
- To carry out works and develop proposals on the numbers of the members of the Board of Directors and managers,
- To develop proposals pertaining to the principles and applications on the performance evaluation and award of the members of the Board of Directors and managers, and follow up the applications there under,
- To observe the works of the Investor's Relationships.

The Members of the Corporate Governance Committee are indicated herein below:

- Head of the Corporate Governance Committee
  - Halil Eroğlu, Independent Member of the Board of Directors
- Members of the Corporate Governance Committee
  - Ahmet Ertürk, Independent Member of the Board of Directors
  - Adnan Eydoğan, Independent Member of the Board of Directors
  - Hüseyin Yılmaz, Manager for Finance and Investor's Relationships

The Corporate Governance Committee also fulfils the duties of the Nomination Committee and Salary Committee as well within the framework of the principles and Articles of Association of our company.

### **Audit Committee**

The Audit Committee provides the Board of Directors with support in order to ensure the auditing of financial information about the accounting system of Akgen REIT and public disclosure of it and functioning and observation of the internal control system. The Audit Committee consists of three members to be appointed among the members of the Board of Directors.

The members of the Audit Committee and Corporate Governance Committee are appointed by the Board of Directors within the direction of principles, determined at the Articles of Association of Akfen REIT, and its duties and authorizations are determined by the Board of Directors as well.

The Audit Committee is responsible for taking all measures in order to execute all sorts of internal and independent external audit in a sufficient and transparent manner, and conduct of duties, granted upon by the Capital Market Regulation and the Corporate Governance Communiqué .

The Audit Committee convenes at least four times, provided to be once in every quarter.

The Audit Committee Members are listed herein below:

- The Head of the Audit Committee Denetimden Sorumlu Komite Başkanı
  - Mr.Ahmet Ertürk, Independent Member of the Board of Directors
- The Members of the Audit Committee Denetimden
  - Mr. Adnan Aydoğan, Independent Member of the Board of Directors
  - Mr. Halil Eroğlu, Independent Member of the Board of Directors

Three independent members taking place at the Board of Directors take place both at the Corporate Governance Committee and Audit Committee ensuring the participation of the minority shares and stakeholders in the management.

### **Early Risk Detection Committee**

Our Company has decided through the resolution of the Board of Directors, dated as March 14, 2013 to set up a committee pursuant to the Communiqué of having Series: IV, No. 63 amending the Communiqué of the Capital Market Committee and conduct the duty of the Early Risk Detection Committee, currently conducted by the Corporate Governance Committee.

The Early Risk Detection Committee is responsible for early detection of risks that may put the existence, development and continuation of the Company at jeopardy, and taking necessary

measures pertaining to the risks so detected and management of the risk in question; and the risk management systems are observed at least once annually. Furthermore, the Committee present a report to the Board of Directors once in every two months and gives information on the detected risks and action plans so taken.

- Head of the Early Risk Detection Committee
  - Halil Erođlu, Independent Member of the Board of Directors
- Members of the Early Risk Detection Committee
  - Selim Akın, Member of the Board of Directors
  - Pelin Akın Özalp, Member of the Board of Directors

#### **5.4. Risk Management and Internal Control Mechanism**

Our Company has decided to carry out works consisting of trainings, one-to-one meetings and workshops on the Early Risk Detection through the support of the company, DRT Bađımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte) in order to activate the Risk Detection activities, and the said works were finalized within 2012 and our Risk Management Handbook was presented to the Board of Directors. It is decided to take the principles taking place at the Risk Management Handbook as basis in subsequent internal audits of the Audit Committee.

The Internal Control Mechanism fulfils the duties, granted by the Board of Directors, upon it in an effective manner with the establishment of the Audit Committee within the organization of the Audit Committee. Mr. Ahmet Ertürk, Independent Member of the Board of Directors, conducts the duty as the Head of the existing Audit Committee.

#### **5.5. Strategic Targets of the Company**

##### **Mission**

To become a leading hotel investor developing hotel projects due to be operated at highest standards by the international hotel operators of Turkey and surrounding geography.

##### **Vision**

To develop projects bearing high profitability at the real estate sector and provide high capital and dividend revenue for its shareholders while realizing a stable balance sheet growth.

##### **Strategic Perspective**

Akfen REIT has been positioned in the best manner for a steady/stable growth at the urban hotel management and specialized in urban hotel management at international standards.

- Exclusive partnership with the largest hotel group in Europe and one of the leading hotel groups internationally, Accor;
- Raising commercial activity in the major cities of Turkey;
- Rising volume of the domestic and external tourism in Turkey;
- High level of hotel investment know-how at the end of specialization on a single field of engagement;
- Export of know-how to neighbouring geography; and
- Low-risk and long-term leasing contracts that do not contain any operation responsibility, and regular rental revenue rising with the performances of the hotels.

##### **Corporate Policy**

To use the accumulation of knowledge, organization competence and opportunities, offered by technology, from the first day onward through the driving power that will be created by quality employees and specialist teamwork.

## **Principles**

To work with well-educated/trained and experience human resources, and take the quality forefront in production, manufacturing and business management, and to complete the works under its undertaking in a timely manner and with high quality;

The Board of Directors holds negotiations with the Managing Director and executive management and determines the strategic targets pertaining to the related periods. The Board of Directors, furthermore, observes the Company's degree of achieving targets, activities and past performances within the scope of the end of year performance assessment process.

## **5.6. Financial Rights**

A certain amount of fee, determined there under, is paid up to the Independent Member of the Board of Directors serving duties as an independent member within the framework of the Corporate Governance Principles of the Capital Market Committee in order to enable them to fulfil their membership time investment and requirements. It was decided by the General Assembly at the Ordinary General Assembly Meeting, held on May 11, 2017 for the activities of 2016 to pay a monthly salary of TRY 3.500,00 to each of the Independent Members of the Board of Directors, and not to pay any fees and honorariums to the other members of the Board of Directors.

As a requirement of the Corporate Governance Principles, the shareholders have been notified on the payments, made within the scope of "Salary Policy" for the members of the Board of Directors and Executive Managers at the Ordinary General Assembly Meeting, held on May 11, 2017 for 2016.

There are not any procedures such as lending money, providing credit facilities by the Company to the members of our Board of Directors or managers, giving guarantee in their favour have not been at issue.

## **Independence and Responsibility Statements**

Appendix: 1- Independence Statements

Appendix: 2 - Akfen REIT Capital Market Committee and Operating Report Responsibility Statements for 2017