

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

In 2014, Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company" or "Akfen GYO") ensured compliance with all compulsory principles of the Corporate Governance Principles stipulated in the annex of the Communiqué [n. IV-56] on "Determination and Implementation of the Corporate Governance Principles".

The Company continues to carry out necessary activities in order to ensure compliance also with the non-compulsory principles. Our Company's approach and the latest status regarding the principles with which the compliance have not yet been achieved, are specified under the following topics.

Our Company continuously takes necessary steps to reach the highest standards in the field of corporate governance and constantly carries out activities to actualize some of the advisory provisions. Akfen GYO perceives the code of ethics and the principles of transparency, fairness, responsibility and accountability as part of its company culture.

With the amendments made to the Articles of Association of Akfen GYO, we have had our Articles of Association comply with the regulations that must be included in the articles of association as per the Corporate Governance Principles.

The Investor Relations Unit directly reports to the General Manager and at least once a year presents a report to the Board of Directors regarding the

activities that it conducts. The Investor Relations Manager was appointed as a member of the Corporate Governance Committee. Moreover, one personnel was appointed to assume tasks in the Investor Relations Unit, and all these issues were publicly disclosed on the Public Disclosure Platform.

In compliance with the Corporate Governance Principles, as per the Board of Directors' Decision taken on the February 16, 2011, the Audit Committee and the Corporate Governance Committee were established.

The Board of Directors Decision dated March 14, 2013 resolved that the duties of the Early Detection of Risk Committee, which were previously carried out by the Corporate Governance Committee, shall be conducted by a separate committee pursuant to Capital Markets Board Communiqué Serial IV, No: 56 as amended by Communiqué Serial IV, No: 63. In addition, the referenced decision appointed Mr. M. Dursun Akın as the Chairman and Ms. Pelin Akın and Mr. Selim Akın as the members of the Early Detection of Risk Committee.

The Board of Directors Decision dated May 23, 2014 resolved that the remuneration principles of Board members and senior executives are to be adopted as the "Remuneration Policy." It was decided:

- to appoint Independent Member of the Board of Directors Mehmet Semih Çiçek, Independent Member of the Board of Directors Mustafa Dursun Akın, Independent Member

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of the Board of Directors Ahmet Seyfi Usluoğlu, and (Financing and) Investor Relations Manager Servet Didem Koç to the Corporate Governance Committee for a period of one year, and to appoint Mehmet Semih Çiçek as the Chairman of the Corporate Governance Committee,

- to have the Corporate Governance Committee also serve as the Nomination Committee and as the Remuneration Committee,
- to appoint Independent Member of the Board of Directors Mehmet Semih Çiçek, Independent Member of the Board of Directors Mustafa Dursun Akin and Independent Member of the Board of Directors Ahmet Seyfi Usluoğlu to the Audit Committee for a period of one year, and to appoint Mustafa Dursun Akin as the Chairman of the Audit Committee,
- to appoint Independent Member of the Board of Directors Mustafa Dursun Akin, Member of the Board of Directors Selim Akin and Member of the Board of Directors Pelin Akin to the Early Risk Detection Committee for a period of one year, and to appoint Mustafa Dursun Akin as the Chairman of the Early Risk Detection Committee,
- It was decided: i) to establish the Investor Relations Unit in order to ensure communication between our Company and the investors as per the 11th Article of the Communiqué, ii) to appoint Servet Didem Koç as the Investor Relations Manager, who has already been assuming this task and who possesses the requisite qualifications stipulated in

the Communiqué, iii) to have Servet Didem Koç directly report to our Company's General Manager Vedat Tural, moreover, iv) to appoint Servet Didem Koç as the member of the Corporate Governance Committee and v) to publicly disclose the contact information of Servet Didem Koç who was appointed as the Investor Relations Manager.

At our Company's Board of Directors meeting held on September 4, 2014, as per the Corporate Governance Communiqué, Hüseyin Yılmaz was appointed to assume duties in the Investor Relations Unit. The mentioned decision was publicly disclosed on the Public Disclosure Platform ("KAP").

Recently, according to our Company Board of Directors' Decision taken on February 18, 2015: Due to the fact that Mustafa Dursun Akin and Mehmet Semih Çiçek who were Independent Members of the Board of Directors, had lost the requisite qualifications of the independency criteria – stipulated in the 4.3.6 Article of the Corporate Governance Principles that entered into force in the annex of the Capital Markets Board's Corporate Governance Communiqué – due to "term" principle; It was decided: i) to appoint Adnan Aydoğan – who was appointed upon Mustafa Dursun Akin's resignation on February 2, 2015 – as a Member of the Corporate Governance Committee, and as the Chairman of the Early Risk Detection Committee and the Audit Committee: ii) to appoint Halil Eroğlu – who was appointed upon Mehmet Semih Çiçek's resignation – as the Chairman of

the Corporate Governance Committee, and as a Member of the Early Risk Detection Committee and the Audit Committee.

The Board of Directors of Akfen REIT supports the senior management and all employees in the implementation of Corporate Governance Principles across every level of the Company. In the recently published Corporate Governance Principles Compliance Report, the Company states its commitment to the principles of equality, transparency, accountability and responsibility, following the adaptation of the Corporate Governance Principles by the Company. The meeting procedures of the General Assembly provide for the highest level of shareholder participation. The General Assembly Meeting Informational Note is prepared and posted on the Company's website at least two weeks before the meeting date.

PART II - SHAREHOLDERS

2.1. Investor Relations Unit

Regarding the exercise of shareholding rights, the Company complies with legislation, the Articles of Association and other Company regulations and takes all the necessary measures to ensure the exercise of these rights.

- Investor Relations Unit reports to Akfen GYO General Manager Vedat Tural.
- Investor Relations Unit prepared a report regarding the activities it carried out in 2014 and presented this report to the Board of Directors and the Company's top management on the December 2, 2014.
- Investor Relations Unit is conducted by Akfen GYO Finance and Investor Relations Manager Servet Didem Koç who has a CMB Advanced Level License and a Corporate Governance

Rating Specialist License, and by Akfen GYO Senior Financial Controller Hüseyin Yılmaz who has the same licenses.

The Investor Relations Unit is committed to providing accurate, timely and consistent information to the existing and potential shareholders of Akfen REIT; to increasing the public awareness and credibility of the Company; to lowering the cost of capital through the application of Corporate Governance Principles; and to ensuring communication between the Board of Directors and capital markets players. In line with these objectives, the Company has placed the utmost importance on communication with shareholders and investors and conducts an active investor relations program.

In the organizational chart, the Investor Relations Unit reports directly to the General Manager.

The Investor Relations Unit, which serves as a bridge that connects the Board of Directors with the shareholders and the financial community, has the following main duties:

- Safely keeping the records regarding the correspondences made between the Investors and the Company, and other information and documents in good shape and up-to-date,
- Answering the written information requests of the shareholders regarding the Corporation,
- Preparing the documents that must be presented for the information and review of the shareholders regarding the General Assembly meetings, and taking necessary measures to ensure that the General Assembly meetings are held in conformity with the relevant legislation, Articles of Association and other internal regulations of the corporation.

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- Overseeing and monitoring the fulfilment of the obligations arising from the Capital Markets legislation including all relevant issues regarding the Corporate Governance and public disclosure,

The Investor Relations Unit gives due care to the use of electronic means of communication and the Company's website in its activities.

Contact details for the Investor Relations Unit are available at www.akfengyo.com.tr and in annual reports. The Investor Relations Unit is accessible at gyoyatirimci@akfengyo.com.tr for all inquiries and requests.

During 2014, the Company participated in a number of domestic and overseas conferences organized to provide information to shareholders and investors. More than twenty five interviews were made with existing and potential investors. Upon request, face-to-face meetings were held with investors, shareholders and analysts regarding the Company's operating results, performance and other developments. Moreover, our individual investors' questions asked over the phone were answered.

2.2. Exercise of Shareholders' Right to Information

The Company treats all shareholders, potential investors and analysts equally in terms of the use of their right to information and analysis. As such, all disclosures are provided to everyone simultaneously, with the same content.

Within the framework of information disclosure, all information that might concern shareholders and market players is announced via material event disclosures; and past material disclosures are posted on the website both in Turkish and English at the Company's website.

Numerous written and oral requests for information from shareholders are answered without delay, under the supervision of the Investor Relations Unit and in accordance with the Capital Market Law. In order to comply with the shareholders' right to information, all information that might influence the exercise of their rights is immediately submitted to their attention via the Company website. The information on the website is published simultaneously both in Turkish and English to assure equal exercise of rights by domestic and foreign investors.

In the Articles of Association of the Company, there is no regulation or restriction regarding the assignment of a private auditor. In the Internal Directive regarding the Working Principles and Procedures of the Company's General Assembly, there is an article stating that the shareholder's private audit request would be resolved by the general assembly regardless of whether it is on the agenda or not. The Company avoids making any transactions that would complicate private auditing.

The Company has not received any request for the appointment of special auditors.

2.3. General Assembly

The General Assembly of 2014 was held on May 06, 2014, at 14:00 in the Meeting Hall at the Company's Headquarters.

Within the timeframe, the call for the meeting, that must be made according to the 414th Article of the Turkish Commercial Code, and the Articles of Association of the Company, and the agenda were announced in the Turkish Trade Registry Gazette n.8542 [date: April 03, 2014] and its edition n. 8547 [date: April 10, 2014], and in the Star Newspaper's editions dated April 03, 2014 and April 04, 2014, and on the Company's website and via Central Registry Agency's Electronic General Assembly System.

To enable shareholders to attend the General Assembly meeting by electronic means as stipulated by the Turkish Commercial Code and Capital Markets Board legislation, the Company made the necessary amendments to the Articles of Association and completed the certification of employees for the required infrastructure. The General Assembly Meeting that took place in 2013 was held electronically.

The Meeting Room of the General Assembly is located in the headquarters of the Company and has the facilities to accommodate all shareholders. General Meetings are open to the public and are under the supervision of the Ministry of Industry and Trade.

According to the list of attendants, it was seen that: 1000 Group A shares equivalent to TL 1,000, 1,000 Group C shares equivalent to TL 1,000, 1,000 Group D shares equivalent to TL 1,000, 142,941,083 Group B shares equivalent to TL 142,941,083, of the Company's total capital of TL 184,000,000 were represented at the meeting, and thus, the minimum meeting quorum

stipulated in the legislation and in the articles of association was present in the meeting.

The agenda of the General Assembly meetings is kept in an impartial, thorough, clear and comprehensible manner and the expressions used are not as such to lead to different interpretations. The shareholders are given the opportunity to ask questions and express their opinions under equal conditions and in a healthy discussion environment.

Two of the shareholders presented their opinions, however, none of the shareholders asked any questions or made any suggestions for the agenda. The meeting minutes of the General Assembly are available on our website [www.akfengyo.com.tr], on the Public Disclosure Platform and in the Turkish Trade Registry Gazette.

With a separate agenda item, the shareholders were informed about the Company's donation of TL 300 to the Turkish Education Foundation within the period. The upper limit of donations that will be made in 2014 was determined as TL 500,000.

2.4. Voting Rights and Minority Rights

The Company avoids any practice that might jeopardize the exercise of voting rights and grants every shareholder to use her/his vote in the most convenient and appropriate way.

According to the Company's Articles of Association, for all Company shares, one share is entitled to one vote. Class A, C and D shares are registered and are not traded on the BİAŞ.

There are no provisions that impose a delay for the exercise of voting rights after the acquisition of shares.

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There are no provisions preventing non-shareholders from acting as proxies for shareholders.

Minority rights in the Company are exercised in compliance with the Turkish Commercial Code, Capital Market Law, relevant legislation, communiqués and resolutions of the Capital Markets Board. The Articles of Association of the Company does not provide for any additional provision regarding minority rights. Minority rights in the Company are exercised in compliance with the relevant legislation. In addition, minority rights may be exercised via the three independent members of the Board. The independent members of the Board of Directors ensure representation of the minority in the management.

2.5. Dividend Rights

The Company makes dividend distribution decisions in accordance with the Turkish Commercial Code, Capital Market Law, Capital Markets Board Regulations and Decisions, tax laws, other relevant legislation and the Company's Articles of Association.

In dividend distribution, there is no privilege among the share groups.

While taking profit distribution decision, Company's strategies, capital requirements of our associate companies and subsidiaries, investment and financing policies, profitability and cash positions are taken into consideration.

The method and timeframe of profit distribution is decided by the General Assembly upon the Board of Directors' proposal on the issue.

Depending on the decision to be taken at the General Assembly, dividend distribution can be made fully in cash or fully in the form of "scrip issue" or can be made partially in cash and partially in the form of "scrip issue."

As per the Board of Directors resolution dated February 25, 2011, Akfen REIT's Dividend Distribution Policy is based on "starting from the 2011 accounting period and after due consideration of the Company's general profitability performance; to propose to the General Assembly the distribution of a minimum 30% of distributable profit as dividends." Mentioned Profit Distribution Policy was approved at the "Ordinary General Assembly Meeting regarding 2013" that was held on May 6, 2014.

The aim is to make profit distribution within six months at the latest subsequent to the General Assembly's distribution decision. Profit distribution date is determined by the General Assembly. The General Assembly or if it is authorized, the Board of Directors may decide to distribute dividends with installments in compliance with the Capital Market Regulations.

The Board of Directors may distribute advance dividend provided that it is authorized by the General Assembly and that the process complies with the Capital Market Regulations.

As specified above, profit distribution policy that was approved by the shareholders at the General Assembly is available in the annual report, and is announced in the Turkish Trade Registry Gazette and publicly disclosed on the company website and on the Public Disclosure Platform ["KAP"].

As there was no distributable profit for the year of 2013, it was unanimously decided at the General Assembly meeting that profit distribution is not possible.

2.6. Transfer of Shares

The transfer and conveyance of bearer shares of the Company is subject to the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. As per the Company's Articles of Association, the transfer of bearer shares cannot be restricted.

According to the Company's Articles of Association, the transfer of shares prior to a public offering is subject to the approval of the General Assembly. As for transfer of shares within the scope of this article, the new shareholders who will acquire shares in the Company must meet the requirements demanded from founding shareholders.

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company's Website and Its Contents

The Company's corporate website is actively used for public disclosure purposes, as required by the CMB.

All issues related to the Investor Relations are made public at the corporate website [www.akfengyo.com.tr].

The information provided on the website is also prepared in English for foreign investors.

The information made to public by the Company is available online. The address of the Company's corporate website is clearly printed on the Company's letterhead and is available at www.akfengyo.com.tr. The website includes information about:

- History of the Company
- Latest management and shareholding structure
- Board of Directors and its committees
- Latest version of the Articles of Association
- Agenda, information document, proxy voting form, meeting minutes of the General Assembly meeting,
- Prospectus and circulars
- Continuous disclosure form
- Real estate appraisal reports
- Monthly investor reports
- Profit distribution policy
- Trade registry data
- Annual reports
- Corporate Governance Compliance Report
- Informing Meeting
- Dividend Distribution Policy
- Code of Ethics
- Financial statements and reports
- Material event disclosures
- Share price and performance data and charts
- Contact details of the Investor Relations Unit
- Contact details of the Company

Of the information listed in Section II, Article 1.1.1 of the Capital Markets Board Corporate Governance Principles, all those relevant to the Company are published and updated on the Company's website.

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3.2. Annual Report

Akfen Real Estate Investment Trust's Annual Report is prepared in detail to enable complete and accurate public access to all information about the activities of the Company and in accordance with the provisions specified in the legislation. Annual reports are prepared by taking into account the Corporate Governance Principles.

The annual reports are prepared by taking all issues specified in the Corporate Governance Principles into consideration. Additionally, all information that must be specified as per the TTK (Turkish Commercial Code) regulations, regulations of the CMB legislations, and the Regulation on "Determining the Minimum Content of the Annual Reports of the Companies" that was issued by the Ministry of Customs and Trade and published in the Official Gazette (date: August 28, 2012), is included in the annual reports.

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

The Company's corporate governance practices and code of ethics guarantee stakeholders' rights that are regulated by legislation and mutual agreements. Stakeholders are continually kept informed within the framework of the Company's disclosure policy that was formed in accordance with the existing legislation.

Moreover, it is aimed that all stakeholders are informed with applications as part of our informing policy based on press releases, annual report, website and transparency.

While carrying out their duties, employees are expected to put Company interest above their own interests or that of their families/relatives and fulfill their obligations accordingly. Employees refrain from any action that might be interpreted as creating private gain for themselves or their relatives.

Foreseeable conflict from interest situations and circumstances as defined by the Company's management are shared with employees; the Company's management will take necessary measures.

Stakeholders may convey the information of any activity that is unethical and contrary to the legislation to the Corporate Governance Committee and the Audit Committee, through the independent members who also serve as chairmen of these committees.

4.2. Participation of Stakeholders in Management

The Company has not defined any mechanism or model for stakeholder participation in management. However, independent members on the Board of Directors enable the representation of not only shareholders but also all stakeholders in the management.

The opinions of stakeholders are sought for important decisions that give rise to outcomes in terms of stakeholders' interests.

4.3. Human Resources Policy

The Company's human resources policies are summarized as follows:

- Our Main Human Resources Policy is to select, develop, evaluate and manage the human resources according to the contemporary criteria and principle of equal opportunity for everybody, by matching the requirements of the job with the skills and competencies of the employees.
- Human Resources management is obligated to increase the employee performance and match the corporate goals with individual goals by creating a dynamic and innovative environment that is open to development, and thus to support reaching the Company goals in an effective and efficient manner.
- Our employee profile is a human resource who: is open to changes and developments, has high achievement motivation, believes in team work and spirit of team work, correctly utilizes resources and time, and has high sensitivity for social responsibility.
- Relations with the employees are managed by the Assistant General Manager [Corporate Communication, Human Resources and Administrative Affairs] Ms. Hülya Deniz Bilecik.

- Our ethic approach forms the basis of our working environment. A working environment is created that is far from discrimination, mobbing, favoritism. Thus, a peaceful and productive working environment is created with an honest, transparent and fair approach. We did not receive any complaints from our employees on this issue.

As of December 31, 2014, the total number of employees in Akfen Real Estate Investment Trust and its subsidiaries and joint ventures is 31.

4.4. Code of Ethics and Social Responsibility

Code of Ethics

Akfen Real Estate Investment Trust has formulated its "Code of Ethics" such as to deliver value to shareholders and to increase its corporate value; all managers and employees are obliged to comply with these rules and principles. The Code of Ethics is published on the corporate website.

These rules are designed to ensure that Akfen REIT managers and employees display the highest standard of behavior, be aware of the corporate effects of their acts and attitudes and utilize the best methods in corporate operations to serve shareholders.

Social Responsibility

In its activities, the Company pays utmost attention to fulfill its social responsibilities and supports organizations related to its sector.

In this regard, there is no investigation, litigation or any other legal action or sanction brought against the Company or its subsidiaries relating to these issues.

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PART V – BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

The formation and election of the Board of Directors are carried out in accordance with the Corporate Governance Principles. The principles relating this process are outlined in the Articles of Association. Accordingly:

Management, representation and binding against third parties of the Company are carried out by the Board of Directors that composed of nine (9) members, the majority of them being non-executive, who are elected by the General Assembly under the provisions of the Turkish Commercial Code and meet the requirements specified in the Turkish Commercial Code and Capital Markets Regulations.

In the first meeting of the Board of Directors, a Chairman, to chair the meetings of the Board of Directors and a Vice Chairman, to preside in the Chairman's absence, are elected from among its members. In accordance with the principles regarding the independence of the Board of Directors of the Capital Markets Board Corporate Governance Principles and with the condition of being not less than two (2), a sufficient number of independent Board members are elected by the General Assembly to the Board of Directors. The statements of independence relating to the independence of Board members are provided in the Board of Directors' Annual Report.

The names and curriculum vitae of the members of the Board of Directors in 2014, who were elected in accordance with the Company's Articles of Association, are listed below.

- İbrahim Süha Güçsav, Chairman of the Board, Executive Board Member
- Mustafa Keten, Vice Chairman of the Board, Non-executive Board Member
- Pelin Akın, Board Member, Executive Board Member
- Selim Akın, Board Member, Executive Board Member
- Sila Cılız İnanç, Board Member, Non-executive Board Member
- İrfan Erciyas, Non-executive Board Member
- Mustafa Dursun Akın, Non-executive Independent Board Member (He resigned from his duty on February 16, 2015 and Adnan Aydoğlan was appointed to his duty in the same date)
- Mehmet Semih Çiçek, Non-executive Independent Board Member (He resigned from his duty on February 16, 2015 and Halil Eroğlu was appointed to his duty in the same date)
- Ahmet Seyfi Usluoğlu, Non-executive Independent Board Member

The Company does not have an Executive Committee. The posts of Chairman and General Manager are not occupied by the same individual. There is no Board member authorized to represent or bind the Company individually.

Board members Mustafa Dursun Akin, Mehmet Semih Çiçek and Ahmet Seyfi Usluoğlu are independent members as per CMB's Corporate Governance Principles. During the reporting period, there was no development that might compromise the independence of independent Board members.

According to the legislation, the independent Board members are obliged to submit a statement of independence to the Board of Directors and immediately notify the Board of Directors in case their independence is compromised. A person who has served as Board member for a total of six years cannot be appointed as an independent Board member.

CURRICULUM VITAE:

İbrahim Süha Güçsav

Chairman of the Board of Directors

İbrahim Süha Güçsav graduated from Istanbul University, Faculty of Economics in 1992 and received his Master's in business administration from Gazi University, Institute of Social Sciences. He began his professional career at Alexander & Alexander Insurance Brokerage in 1992 and joined the Akfen family in 1994. Mr. Güçsav served as the Head of Financing Department at Akfen Holding and then as Chief Executive Officer. He assumed important roles in the privatizations of Vehicle Inspection Stations, Mersin International Port and İDO; the establishment and investment stages of Akfen REIT; initial public offerings of Akfen Holding and Akfen REIT; share sales of subsidiaries and long-term

project financing. Mr. Güçsav also held the position of Vice Chairman of the Board of Directors of Akfen Holding from 2003 to March 2010. Since then, he has served as the CEO and on the Board of Akfen Holding. He was a member of the Board of Directors at Akfen Holding from March 2010 until May 2012 and has been CEO of Akfen Holding since March 2010. He also serves as the Chairman of the Board of Directors at Akfen REIT and Akfen Water and is a member of the Board at TAV Airports Holding, Mersin International Port, Akfen Energy Investments Holding and several other subsidiaries. Mr. Güçsav is the Chairman of Turkey-Singapore Business Council, and in October 2014 he became Turkey Honorary Business Representative for Turkey at the International Commerce and Investment Agency under the umbrella of the Ministry of Singapore and Commerce.

Mustafa Keten

Vice Chairman of the Board of Directors

Mustafa Keten graduated from the İstanbul Academy of Economics and Commercial Sciences, Department of Economic Administration in 1968 and began his professional career in 1970 as an Assistant Specialist in the State Planning Organization. In 1978, he earned an MA in Development Administration from the Institute of Social Studies in the Netherlands. From 1979 to 1983, Mr. Keten worked in the State Planning Organization as President of Priority Development Regions, the years between 1984-1999 as Undersecretary of Agriculture, Forestry and Village Affairs, Advisor to the Prime Minister, President of the Special Environmental Protection Board, President of Prime Ministerial Foundations and President of the Foundation's Board. During his time in the public sector, Mr. Keten also served on the Board of Directors at Petkim [petrochemicals] and Tamek Gıda [foods] and as the Chairman of

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the Board of Directors at Güneş Sigorta [insurance] and at Vakıfbank. He has also been a faculty member at various educational institutions. Mr. Keten joined Akfen Holding in 1999 as Vice Chairman of the Board of Directors and has also served on the Board at the Eurasian Business Council, Turkish-Russian Business Council, Turkish-Georgian Business Council and as the President of the Turkish-Moldovan Business Council. He is currently the Vice Chairman of the Turkish Tourism Investors Association [TYD] and President of the Tourism Assembly at TOBB and Board member of TMOK.

Pelin Akın **Board Member**

Pelin Akın graduated from Surrey University, Department of Business Administration in Spanish, in the United Kingdom in 2010 and started her professional career in the Strategy Division of the Finance Department at Deutsche Bank Madrid. After returning to Turkey, she was employed by TAV Airports and joined the Management Trainee [MT] program there. Ms. Akın worked as an event's organizer at the Spanish Business Council of DEİK and had various other responsibilities in different working groups within the DEİK British Business Council. She is also responsible for organizing the Tatlı Dil Forum which was established to improve Turkish-British relations. Ms. Akın actively serves as a member of the Board of Trustees and a member of the Board of Directors at the Human Resource Education and Health Foundation of Turkey [TİKAV]. In

addition, she is the Vice President of the Duke of Edinburgh International Awards - Turkey Program which is supported by Akfen Holding as the main sponsor. Since 2010, Ms. Akın has served as the President of the Advisory Committee at the Chair for Research in Turkish Studies at the London School of Economics. She is a member of TÜSİAD, GYİAD [2011-2012] and the Young Presidents Organization [YPO] as well as a member of the Corporate Governance Committee at TAV Airports Holding, a member of the Board of Directors and Corporate Governance Committee at Akfen Holding board member of the IBS Insurance and Reinsurance Brokerage and a member of the Early Risk Detection Committee at Akfen REIT. Pelin Akın was elected as Substitute Member of TÜSİAD's Board of Directors in January 2015.

Selim Akın **Board Member**

Selim Akın graduated from Surrey University, Department of Business Administration, in the United Kingdom. He was the president of the Surrey University Turkish Association during his years at the university and became a member of Young Businessmen Association of Turkey [TUGIAD] after his return to Turkey. Concurrently, he is a member of the DEİK Turkish-Russian Business Council and a member on the Executive Board of the DEİK Turkish-Iraqi Business Council. Mr. Akın began his professional career in the Accounting Department at Akfen Holding and also held positions in the Project Development and Finance Departments. Some of the projects in which he

participated include the privatization and financing of Vehicle Inspection Stations, privatization and financing of Mersin Port and Akfen Holding's IPO and corporate bond issues. Mr. Akin currently serves as a Vice Chairman of the Board of Directors of Akfen Holding and as a member of the Board of Directors of its subsidiaries.

Sıla Cılız İnanç **Board Member**

Sıla Cılız İnanç graduated from Marmara University, Faculty of Law in 1995. After completing her internship, she joined Akfen Holding in 1997. She has worked in the area of Public-Private Sector Partnerships in Turkey as well as in antitrust law processes in terms of joint ventures and transfer of shares and in processes related to Public Procurement Law and secondary public procurement legislation. Ms. İnanç has actively participated in every aspect of build-operate-transfer, transfer of rights/privileges and privatization projects, from tender offer to transfer; she also was active in the establishment of the project financing structure and loan agreements and IPO processes of Akfen Holding A.Ş. and Akfen REIT. Currently, she has focused her efforts on company and holding structures. Sıla Cılız İnanç is serving as the Vice President of Akfen Holding A.Ş. and as member of the Board of Directors at various Akfen Holding subsidiaries.

İrfan Erciyas **Board Member**

Having graduated from Gazi University, Department of Economics and Finance in 1977, İrfan Erciyas started his professional career at Türkiye Vakıflar Bankası. After serving as Inspector and branch manager at Türkiye Vakıflar Bankası, he worked as Executive Vice President from 1996-2002 and as CEO from 2002-2003. In 2003, he joined Akfen Holding as Vice Chairman and played a key role in Vehicle

Inspection Stations, privatization of Mersin International Port and İDO, establishment of Akfen REIT and Akfen Energy, the IPO of Akfen Holding and Akfen REIT, sales of subsidiaries' shares and long-term finance. Since March 2010, İrfan Erciyas has served as Executive Director at Akfen Holding; in addition, he is the Chairman, Vice Chairman and Board Member at a number of Akfen Holding affiliates and subsidiaries.

Ahmet Seyfi Usluoğlu **Independent Board Member**

Ahmet Seyfi Usluoğlu graduated from Middle East Technical University, Department of Business Administration in 1978. He began his professional career as a Customs Supervisor at the Head Office of Petrol Ofisi then worked as an Inspector of the Audit Board at Türk Ticaret Bankası A.Ş. Head Office from 1982 to 1990; as Branch Manager of Türk Ticaret Bankası Siteler Branch from 1990 to 1993; as Branch Manager of Türk Ticaret Bankası Yenişehir Branch between 1993 and 1996; and as Branch Manager of Türk Ticaret Bankası Ankara Branch from 1996 until 2000. Mr. Usluoğlu has been serving as an Independent Board Member, Audit Committee and Corporate Governance Committee Member at Akfen REIT since 2009.

M. Semih Çiçek **Independent Board Member**

M. Semih Çiçek graduated from Ankara Academy of Economics and Commercial Sciences, Department of Business Administration in 1974. He subsequently earned his MA in Economic Policy from Marmara University, Institute of Social Sciences. Mr. Çiçek began his professional career at Şekerbank and held several positions in the Financial Analysis Department of the same bank between 1974 and 1980. He then worked as Deputy Manager of Loans at the Head Office from 1980 to 1984, as

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Risk Monitoring Manager of the Risk Monitoring and Control Department between 1984 and 1993 and as Deputy General Manager from 1993 to 1999. He served as the Founding General Manager at Şeker Faktoring A.Ş. between 1999 and 2001; as an Executive Board member and Finance Coordinator at Makimsan A.Ş. from 2001 to 2004; and as Executive Board member and Deputy General Manager of Financing at AS Çelik A.Ş. between 2005 and 2006. Mr. Çiçek has been serving as an Independent Board member, Audit Committee Member and Corporate Governance Committee Chairman at Akfen REIT since 2008.

Mustafa Dursun Akin **Independent Board Member**

Mustafa Dursun Akin graduated from Ankara University, Faculty of Political Science, Department of Economics and Finance in 1974. He began his professional career as an Assistant Inspector at the Audit Board of Vakıfbank in 1975. Mr. Akin subsequently worked in the same bank as an Inspector from 1978 to 1982; as Deputy Manager of Personnel in 1982; as Vice President and Chief Assistant of the Audit Board from 1983 to 1993; as Risk Monitoring Manager for the İstanbul Region from 1993 to 1997; as President of the Audit Board in 1997; and as Deputy General Manager in 1998. He served as General Manager at Vakıf Real Estate Expertise and Valuation in 2000 and as President of the Audit Board at the İstanbul Gold Exchange between 2003 and 2004. He

has served as an Independent Board Member, Audit Committee Chairman, Corporate Governance Committee and Early Detection of Risk Committee Chairman at Akfen REIT since 2008.

Vedat Tural **General Manager**

Vedat Tural graduated from Firat University, Department of Civil Engineering in 1982. During his term in the military service, Mr. Tural worked as the construction supervisor for a year on behalf of the Air Force Technical School Command of a 736-unit housing project built by Ekinçiler Construction and Ceylan Construction. He started his professional career at the Altinkaya Dam Project undertaken through the joint venture of Yüksel Construction & Güriş A.Ş., where he worked as Field Engineer and Performance Engineer from 1984 to 1989. Mr. Tural then served as a Project Manager between 1989 and 2005 on several construction projects of Yüksel Construction, including the Swiss Hotel [as Field Supervisor], Zincirlikuyu Tat Towers, Şişli Tat Towers, MetroCity, Etiler Tat 2000 and Kadıköy Moda Tram. He joined Akfen Group in 2005 to work on the Novotel and Ibis Hotel Zeytinburnu project. On May 1, 2007, he was appointed Assistant General Manager Responsible for Technical Affairs at Akfen REIT. Mr. Tural has served as the General Manager of Akfen REIT since November 1, 2012. To date, he has taken part in the construction of 20 domestic and overseas hotel projects developed by Akfen REIT.

Halil Erođlu **Independent Member of the Board of Directors**

Born in 1952 in Karşıyaka, Halil Erođlu studied at seven different primary schools because his father was a public officer. He was a boarding student for seven years at İzmir Maarif High School [Bornova Anatolian High School - BAL]. He graduated from Ankara University, Faculty of Political Sciences in 1974.

He started his professional career in banking at İşbank as an auditor for ten years [1976-1986]. Afterwards, he assumed various duties at the General Directorate and the branches between 1986-1996. He served as a General Manager for three year at Dışbank between 1996 and 1998, and for three years at İş Leasing between 1998-2001.

He became the General Manager at Industry Investment Bank in 2001. After the bank's merger with the Industrial Development Bank of Turkey [TSKB] in 2002, he served as General Manager for ten years and retired in 2011. While working and after his retirement, he assumed duties as the Chairman and a Member of the Board of Directors at various corporations.

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

Adnan Aydođan graduated from Diyarbakır Maarif High School in 1980, Elazığ High School in 1983, Gazi University, Faculty of Public Administration Department of Economics and Administrative Sciences in 1987. He completed his Master's degree at Gazi University, Management Sciences Department of Institute of Social Sciences.

He assumed duties as a Social Facilities Manager at Iron and Steel Establishments of Turkey, as a Research Assistant at Sakarya University, as a Specialist [Project Coordinator] and immediately after as a Project Monitoring and Financing Division Director and as a Head of Fund Management at the Undersecretariat for Defense Industries. Finally, he worked as a Head of Financial Affairs and Subsidiaries within TAİ and left TAİ in 2013.

Qualifications of Board Members

All candidates and all elected members of the Company's Board of Directors must meet the qualifications specified in the CMB's Corporate Governance Principles.

The Board of Directors is structured to ensure the highest level of efficiency and effectiveness. The relevant principles are provided in Article 14 of the Company's Articles of Association. Accordingly, Board Members are elected from among individuals, who possess a basic knowledge of the legal framework regulating the procedures and operations in the Company's field of activity, professional and experienced in corporate management, have the ability to analyze financial statements and reports and preferably are university graduates.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

5.2. Operating Principles of the Board of Directors

Members of the Board of Directors are provided with timely access to all relevant information required to carry out their tasks.

A Board of Directors Secretariat has been formed to serve Board members in keeping all the records related to Board of Directors meetings.

Board meetings are planned and conducted effectively and efficiently. As indicated in the Articles of Association of the Company, the Board of Directors meet whenever deemed necessary for the operations of the Company.

- The Board of Directors may convene upon the invitation of the Chairman or Vice Chairman or upon the written application of any Board member to the Chairman or Vice Chairman.
- The Chairman of the Board of Directors determines the agenda of the meetings of the Board of Directors; the agenda may change upon a Board of Directors decision.
- Independent Board members receive an attendance fee determined by the General Assembly. The other Board members do not receive any payment.
- The meeting quorum of the Board of Directors established with the participation of at least five members.
- Board of Directors resolutions must be approved by the majority of meeting participants.

- At the meetings, each member has a right to one vote that shall be exercised in person. Unless a request is not made by a member to hold a meeting, a proposal made by a member may be decided upon by written consent of the other members.
- In case it is reported by a legal entity shareholder to the Board of Directors that a member representing the legal entity shareholder has no relation left whatsoever with the legal entity in question, the member in question shall be deemed to have resigned from the Board of Directors; and the Board of Directors shall elect the person determined by the legal entity shareholder as the new member instead of the member in question.
- Non-participating members shall not vote in writing or howsoever unless they have a legitimate excuse.

The Board of Directors convened a total of 20 times in 2014. Full participation in a large number of the meetings was ensured and decisions were taken unanimously.

A "Director Liability Insurance" with a total limit of EUR 4,000,000 was purchased for the Board Members for the period 2014-2015.

Non-Transaction and the Non-Compete Clause

The General Assembly dated May 6, 2014 has approved the authorization of the Chairman and Board members as regards to non-compete and non-transaction issues between the Company and the Board members as given in Article 1.3.7 of Communiqué on the Establishment and Implementation of Corporate Governance Principles published by the Capital Markets Board and Articles 395 and 396 of the Turkish Commercial Code.

Authorities and Responsibilities of the Board Members and the Executives

The authorities and responsibilities of the Board of Directors, consistent with their functions and beyond any reasonable doubt, were set to be separated and identifiable from the authorities and responsibilities of the General Assembly. Members of the Board of Directors use their powers pursuant to the signature circulars.

Each shareholder, regardless of how learned, is obliged to keep confidential at all times the confidential information concerning the Company, even if subsequently losing his/her shareholding rights. A shareholder who fails to meet this obligation is directly liable to the Company for any damage that may occur. However, this provision is not applicable for information disclosed according to the capital markets legislation.

5.3. Number, Structure and Independence of Committees under the Board of Directors

In accordance with the relevant legislation and regulations of the Capital Markets Board, the committees that are necessary to fulfill the duties and responsibilities of the Board of Directors are formed by the Board of Directors.

The responsibilities, working principles and members of the committees are determined by the Board of Directors and disclosed to the public.

The Board of Directors may establish among its members as much committee or commissions as necessary for the various purposes such as to follow the progress of the work, to prepare reports to be used by the Board, to decide the preparation of the balance sheet for all important issues and to oversee the implementation of the decisions made.

Committees shall meet as deemed necessary for the effectiveness of the work.

Corporate Governance Committee

Directly reporting to the Board of Directors, the Corporate Governance Committee supports the Board of Directors to ensure that the Company owns and develops the structures and practices required by internationally accepted Corporate Governance Principles and that remuneration, development and career plans of senior management are efficiently coordinated.

The Corporate Governance Committee assists the Board of Directors as regards the compliance of Akfen REIT with Corporate Governance Principles, determination of the remuneration of Board members and senior executives, evaluation of salary, reward and performance, career planning, investor relations and public disclosure. The Corporate Governance Committee consists of three Board members. the President of the Corporate Governance Committee is appointed by the Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Corporate Governance Committee is in charge of monitoring the Company's compliance with Corporate Governance Principles, especially with the following:

- Overseeing the implementation of corporate governance principles in the Company, identifying the reasons and effects of non-compliance, if any, and suggesting the measures for improvement,
- Determining the methods to ensure transparency in deciding the candidates for the Board of Directors,
- Making studies and developing recommendations on the number of Board members and other executives,
- Formulating proposals on principles and practices of the performance evaluation and remuneration of Board members and executives, monitoring the application of these principles,
- Monitoring activities of Investor Relations Department.

Members of the Corporate Governance Committee are as follows:

President of the Corporate Governance Committee

M. Semih Çiçek, Independent Board Member

Members of the Corporate Governance Committee

Mustafa Dursun Akın, Independent Board Member

Ahmet Seyfi Usluoğlu, Independent Board Member

Servet Didem Koç, Director of Finance and Investor Relations

Within the framework of the principles and the Company's Articles of Association, the Corporate Governance Committee also assumes the duties of the Nominating Committee, Early Detection of Risk Committee and the Remuneration Committee.

Audit Committee

The Audit Committee supports the Board of Directors in the supervision of Akfen Real Estate Investment Trust's accounting and financial audit system and the operation and efficiency of its internal control system. The Audit Committee is composed of three Board members.

Members of the Audit Committee and Corporate Governance Committee are appointed in line with the provisions of the Articles of Association and their authorities and duties are determined by the Board of Directors.

The Audit Committee is responsible for taking all necessary measures to ensure the efficient and transparent performance of all kinds of internal or independent audit and fulfilling of duties defined by the Capital Market Law.

The Audit Committee shall meet a total of at least four times in a year, at least once in every three months.

Members of the Audit Committee are as follows:

President of the Audit Committee

Mustafa Dursun Akın, Independent Board Member

Members of the Audit Committee

M. Semih Çiçek, Independent Board Member

Ahmet Seyfi Usluoğlu, Independent Board Member

The three independent members of the Board of Directors serve both in the Audit Committee and the Corporate Governance Committee to ensure the participation of minority and stakeholders in the management.

Early Detection of Risk Committee

The Board of Directors Decision dated March 14, 2013 resolved that the duties of the Early Detection of Risk Committee, which were previously carried out by the Corporate Governance Committee, shall be conducted by a separate committee pursuant to Capital Markets Board Communiqué Serial IV, No: 56 as amended by Communiqué Serial IV, No: 63.

The Early Detection of Risk Committee is responsible for early detection of risks that may endanger the Company's existence, development and continuity, taking the necessary measures relating to identified risks and management of such risks. The Committee revises the risk management systems at least once a year. In addition, the Committee provide information about risks determined and action plans taken by submitting a report to the Board of Directors in every two months.

Chairman of Early Risk Detection Committee

Mustafa Dursun Akın, Independent Board Member

Members of Early Risk Detection Committee

Selim Akın, Board Member

Pelin Akın, Board Member

5.4. Risk Management and Internal Control Mechanism

In order to stimulate risk management activities at the Company, trainings related to early detection of risk, one-on-one interviews and workshops were organized with the consultancy support of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. [Deloitte]. The Company finalized this work in 2012 and the Enterprise Risk Management Manual was presented to the Board of Directors. It was decided that internal audits of the Audit Committee would hereafter be based on the principles defined in the Risk Management Manual.

With the formation of the Audit Committee, the Internal Control Mechanism fulfills the tasks effectively assigned to it by the Board of Directors within the Audit Committee organization. Independent Board Member Mustafa Dursun Akın is the Chairman of the Audit Committee.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

5.5. Strategic Objectives of the Company

Mission

To become a leading hotel investor in Turkey and the surrounding region through the hotel projects built and operated at international standards.

Vision

While maintaining steady balance sheet growth by developing real estate projects of high profitability, to provide shareholders with high return on capital and dividend income.

Strategic Approach

Akfen REIT is organized in the best way for steady growth in the city hotel segment and is specialized in the field of investment in city hotels having international standards:

The exclusive partnership with Accor, the Europe's largest and the world's leading hotel group

Increasing commercial activity in the major cities of Turkey

Increasing volume of domestic and international tourism in Turkey, The extensive hotel investment know-how gained from specialization in the only one area of activity, Export of know-how to the neighboring region, Low-risk and long-term lease contracts without the responsibility of operating hotels and regular rental income that increases in line with the performance of the hotels.

Corporate Policy

To make use of the knowledge base accumulated since its foundation, the organization's capabilities and the possibilities that technology offers, with the help of the driving force created by an expert team of well qualified employees and teamwork.

Principles

To take quality to the forefront in production, construction and management via working with well-trained and experienced human resources, to complete work under its commitment in a timely manner.

The Board of Directors sets strategic goals for the period through discussions with the Executive Board members and senior management. The Board of Directors also reviews the Company's degree of achievement of its objectives, its operations and past performance within the scope of the year-end performance appraisal process.

5.6. Remuneration

In line with the CMB's Corporate Governance Principles, independent Board members are paid a certain attendance fee in return for the time and effort required to fulfill their duties. At the 2013 Ordinary General Assembly Meeting dated May 06, 2014, it was decided that other Board members will not be paid any salary or attendance fee.

The Shareholders were informed, as a separate agenda item, about the "Remuneration Policy" for Board Members and Senior Managers and the payments made under this policy and the said policy was made written and approved at the Ordinary General Assembly Meeting for the year 2014 held on May 6, 2014 pursuant to the Corporate Governance Principles.

The Company does not grant any loans or credits to members of the Board of Directors nor does it give any guarantees in their favor.

