

# 2012 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 1. Statement of Compliance with Corporate Governance Principles

In accordance with the "Communiqué on the Establishment and Implementation of Corporate Governance Principles" that entered into force on December 30, 2011, Akfen Real Estate Investment Trust ("The Company") shows the utmost effort to comply with the corporate governance principles as well as the Articles of Association of the Company. The Company continually takes the necessary steps to reach the highest standards in corporate governance and to implement a number of recommended provisions given in the Communiqué. Akfen Real Estate Investment Trust takes the principles of transparency, justice, accountability and code of ethics as an integral part of its corporate culture.

The amendment of the Articles of Association made in 2012 came into effect through the General Assembly on May 2, 2012.

Pursuant to the importance given to compliance with the Corporate Governance Principles of the Capital Markets Board ("Principles"), the Company's Articles of Association were amended in accordance with the Principles.

As per the amendment to the Articles of Association, the following decisions were made:

- Within the framework of the principles dealing with the independence of Board of Director members, as specified in the Corporate Governance Principles of the Capital Markets Board, a sufficient number of, but not less two (2), Independent Board members shall be elected to the Board of Directors by the General Assembly;
- A statement of independence of the independent members of the Board of Directors shall take place in the Board of Directors' Annual Report;
- With respect to those transactions that are deemed important for the implementation of the Corporate Governance Principles, involving all kind of related party transactions of the Company that regard to guarantees, pledges and mortgages given in favor of any third parties, the Company shall be in compliance with the corporate governance principles of the Capital Markets Board;
- The Company shall comply with the Corporate Governance Principles that made mandatory by the Capital Markets Board. The transactions and the Board of Directors decisions that are not in compliance with the mandatory principles shall be invalid and be considered as violation of the Articles of Association;
- In accordance with the regulations of the Capital Markets

Board, the stock options or performance-related pay schemes shall not be used in the remuneration of the Independent Board members, the remuneration shall be determined to protect the independence of the Independent Board members;

- At least three weeks before General Assembly meetings, a notification shall be made to related authorities and a Commissioner from the Ministry of Industry and Trade shall be required in the meetings;
- Three weeks before the announcements, the names of the newspapers shall be published on the Company's website
- The creation, determination of the duties and responsibilities, selection of the members and the working principles of committees of the Board of Directors;
- Principles of the Audit Committee;
- The principles of the Corporate Governance Committee.

The Information Policy of the Company prepared along the Capital Markets Board Corporate Governance Principles was discussed and approved at the Board of Directors meeting on March 28, 2011. The Information Policy was also published on the website; [www.akfengyo.com.tr](http://www.akfengyo.com.tr).

Upon a resolution of the Board of Directors meeting on February 16, 2011, the Audit Committee and Corporate Governance Committee were formed and their members were elected. The committees started operations in line with the Corporate Governance Principles.

The management of the Investor Relations Unit, as required by the Communiqué, was assumed by Akfen REIT Finance Manager Servet Didem Koç upon the Board of Directors resolution no. 2010/35 dated December 31, 2010. At Akfen REIT, the Investor Relations Unit reports directly to the General Manager.

With the decision of the Akfen REIT Board of Directors dated 04.06.2012, numbered 2012/10, it was decided by the Audit Committee would be comprised of three (3) independent members; M. Dursun Akın was appointed as Chairman; A. Seyfi Usluoğlu and M. Semih Çiçek were named as members. The Corporate Governance Committee decided to assume the tasks of Nominating Committee, Early Risk Detection Committee and the Remuneration Committee and made up of 3 (three) independent members, M. Semih Çiçek as Chairman, A. Seyfi Usluoğlu and M. Dursun Akın as members. During the operating period that ended on December 31, 2012, the Company complied with all the Principles except for the section 18.3.4 ("the implementation of cumulative voting system in the selection

of the members of the Board of Directors") of the Report. The specified condition is not believed to lead to a major conflict of interest in the current situation. While the use of minority rights was made possible through three independent members of the Board of Directors of the Company, the advantages and disadvantages of cumulative voting system in the election of the members of the Board of Directors will be discussed by the Company.

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.

## PART I - SHAREHOLDERS

### 2. 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.

The management of the Investor Relations Unit, required to be formed by the Communiqué, was assumed by Akfen REIT Finance Manager, Servet Didem Koç, upon the Board of Directors resolution no. 2010/35 dated December 31, 2010. At Akfen REIT, the Investor Relations Unit reports directly to the General Manager. Servet Didem Koç holds CMB Advanced Level License and Corporate Governance Rating Expertise certificates.

The Investor Relations Unit is committed to providing accurate, timely and consistent information to the existing and potential shareholders of Akfen REIT; to increase the public awareness and credibility of the Company; to lower the cost of capital through the application of Corporate Governance Principles and to ensure 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 finance world, has the following main duties:

- Ensuring that records related to shareholders are kept in a sound, safe and up-to-date manner
- Responding to written or oral inquiries of shareholders, potential investors, stock analysts, legal bodies (e.g. CMB, ISE, CRA) and financial news agencies, except those information undisclosed to the public concerning confidential data or trade secrets of the Company and; ensuring their consistent and simultaneous access to accurate data; updating the current information

- Preparing material disclosures for the Public Disclosure Platform, translating them into English and sharing both versions with shareholders via the Company's official website
- Reviewing all Company announcements and releasing announcements regarding financial results both in Turkish and English simultaneously
- Keeping Investor Relations section of the Company's website up-to-date so as to provide information to shareholders and potential investors and employing other means of electronic communication in this regard
- Maintaining a database of domestic and overseas corporate investors, as well as stock and sector analysts
- Participating on behalf of the Company in domestic and overseas investor relations meetings organized for current and potential investors and analysts
- Analyzing and monitoring analyst reports, monitoring important statistics and developments concerning the sector
- Taking the necessary precautions to ensure that the General Assembly Meeting is held in accordance with laws, Articles of Incorporation and Company regulations
- Preparing the documents that shareholders need during the General Assembly meeting
- Ensuring the delivery of meeting minutes to shareholders
- Monitoring and supervising the implementation of public disclosure activities in compliance with the relevant legislation

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](http://www.akfengyo.com.tr) and in annual reports. The Investor Relations Unit is accessible at [gyoyatirimci@akfengyo.com.tr](mailto:gyoyatirimci@akfengyo.com.tr) for all inquiries and demands.

The Investor Relations Unit is managed by Servet Didem Koç. The contact details of the unit are as follows:

Servet Didem KOÇ, Finance and Investor Relations Manager  
Levent Loft - Büyükdere Cad. No.: 201 C Blok K. 8 34394  
Levent, İstanbul - TURKEY

**Tel.:** +90 212 371 87 00 **Fax:** +90 212 279 62 62  
[dcolakoglu@akfengyo.com.tr](mailto:dcolakoglu@akfengyo.com.tr)  
[gyoyatirimci@akfengyo.com.tr](mailto:gyoyatirimci@akfengyo.com.tr)

As of May 11, 2011, 29.41% of the Company's shares were publicly traded and foreign investors held around 50% of these public shares. During 2011 and 2012, the Company participated in a number of domestic and overseas conferences organized to provide information to shareholders and investors. Upon request, face-to-face meetings were held with investors, shareholders and analysts regarding the Company's operating results, performance and other developments. In addition, as per capital markets legislation, 37 material event disclosures were announced and published on the corporate website in 2012. Numerous inquiries by investors and analysts were answered via phone or e-mail and monthly investor reports featuring the Company's performance, investments and progress were made public and delivered to investors.

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### 3. 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 delivered 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; the English version of these disclosures are delivered via e-mail to all individuals/corporations who provided their e-mail addresses and past material disclosures are posted on the website both in Turkish and English.

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 Markets Law. In order to comply the shareholders' right to information, all information that might influence the exercise of their rights is immediately submitted to their attention via 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.

The Company's Articles of Association do not provide for the appointment of special auditors as an individual right. The Company has not received any request for the appointment of special auditors.

### 4. General Assembly

The General Assembly of 2012 was held on May 2, 2012, in the Meeting Hall in the Company's Headquarters.

Through the General Assembly meeting announcements published on the Company's website, meeting dates and time, place, agenda, invitation made by the Board of Directors and the shareholders' participation procedure to the General Assembly were provided.

The meeting procedure of the General Assembly provides the highest level of participation of shareholders.

General Assembly meetings carried so as not to cause any inequality among shareholders, at least possible cost to the shareholders and at the least complex manner.

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.

The agenda of the General Assembly meetings are 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 the equal conditions and in a healthy discussion environment.

Minutes of the General Assembly meeting can be reached at the Company's website ([www.akfengyo.com.tr](http://www.akfengyo.com.tr)).

### 5. Voting Rights and Minority Rights

#### *Voting 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 ISE.

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

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

#### *Minority Rights*

Minority rights in the Company are exercised in compliance with the Turkish Commercial Code, Capital Markets 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 on the Board of Directors ensure representation of the minority in the management.

The Company's Articles of Association do not include provisions for cumulative voting method (yet), but within the framework of legislative developments, the Company will assess the advantages and disadvantages of this method.

#### *The principle of equal treatment of shareholders*

All shareholders, including minority and foreign shareholders, are treated equally.

### 6. Dividend Rights

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

According to the Articles of Association of the Company, the general expenses and other outlays that have to be paid or reserved such as depreciation expenses and the reserves for taxes and financial requirements that Company obliged to pay are deducted from the annual revenue of the fiscal year; the remaining income on the balance sheet is distributed in the following order and principles, after the deduction of previous years losses, if any;

**First Legal Reserves:**

1. An amount of 5% is allocated to the first legal reserve fund.

**First Dividend:**

2. Of the remainder, the first dividend is calculated at the rate and amount determined by the Capital Markets Board.

**Second Dividend:**

3. After the subtraction of the amounts indicated above from the net profit, the General Assembly is authorized to distribute the whole or a portion of the remainder as second dividend, to leave it in the balance sheet as profit for the period, to add it to legal or discretionary reserves or to set it aside as extraordinary reserves.

**Second Legal Reserves:**

4. According to the Turkish Commercial Code, Article 466, Clause 2, Paragraph 3, after deducting of an amount corresponding to 5% of paid-in capital as profits be distributed to shareholders and others with right to dividend, 10% of the remainder profit is allocated as second legal reserve.
5. Out of the remaining distributable profit, 0.6% is transferred to foundations indicated in Article 6, paragraph (u) of the Articles of Association.
6. Until the allocations are made to statutory reserves required by law and the first dividend for shareholders, as defined in the Company's Articles of Association, in cash and/or shares/ stock certificates; the Company cannot make allocations to any other reserves, transfer profit to the next year or pay dividends to privileged shareholders or holders of founding, participatory or regular shares, Board members, officers, employees and workers, foundations with miscellaneous purposes or any other individuals/institutions.
7. Advance dividends may be paid to shareholders in accordance with the Article 15 of the Capital Markets Law.

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."

Dividend Distribution Policy was presented to the shareholders at the General Assembly. In addition, the Company's Dividend Policy is presented in the Annual Report and publicly disclosed in the Company's website.

As there was no distributable profit for the year of 2011, it was unanimously decided at the General Assembly meeting that profit distribution is not possible.

**7. Transfer of Shares**

The transfer and conveyance of bearer shares of the Company is subject to the provisions of the Turkish Commercial Code, Capital Markets 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 II - PUBLIC DISCLOSURE AND TRANSPARENCY****8. Public Disclosure Policy**

Prepared according to Corporate Governance Principles of the CMB, the Company's Public Disclosure Policy was discussed and approved at the Board of Directors meeting dated March 28, 2011.

The Information Policy was also announced as a written notice at the Company website: [www.akfengyo.com.tr](http://www.akfengyo.com.tr).

The Board of Directors is responsible for monitoring, reviewing and improving the Disclosure Policy. The Corporate Governance Committee provides information and advises on the issues regarding the "Disclosure Policy" to the Board of Directors, Audit Committee and the Investor Relations Unit. Investor Relations Unit is required to monitor and supervise all issues related to public disclosure.

Within the framework of generally accepted accounting principles and the Capital Markets Law, the Company's Disclosure Policy aims to provide an active and transparent communication of the Company's past performance and future expectations in a full, fair, accurate, timely and understandable manner with the shareholders, investors and stock market professionals (capital market participants) on an equal basis.

***Principles and Means of Public Disclosure***

Information to be disclosed to the public is announced in a timely, accurate, complete, understandable, interpretable, low-cost, easily accessible and equal manner to all individuals and agencies that might use it. In all of its public disclosure practices, Akfen Real Estate Investment Trust abides by all Capital Markets Law legislation and Istanbul Stock Exchange regulations. Information about the Company's public disclosure principles and means are as follows:

- The Investor Relations Unit is in charge of overseeing and monitoring all issues related to public disclosure. Inquiries coming from outside the Company are answered by the Corporate Governance Committee, General Manager (CEO), or by the Investor Relations Unit within their knowledge. All

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correspondence and meetings with capital market participants are carried out by the Investor Relations Unit.

- In such public disclosures, aside from those indicated by law, the Company makes efficient use of other public disclosure means and methods such as press releases, electronic data distribution channels and electronic mail, meetings with shareholders and potential investors and announcements via the website.
- The Code of Ethics of Akfen Real Estate Investment Trust outlines principles and rules that all managers and employees must abide by. The Code of Ethics is accessible via the corporate website.
- In case of a significant change in the Company's financial status and/or operations or an expectation of the emergence of a significant change in the near future, the public is provided with information, without prejudice to the provisions of the relevant regulations.
- Any subsequent changes or developments concerning the Company's public disclosures are constantly updated and disclosed to the public.

### *The Use of Periodic Financial Statements and Reports and Independent Audit for Public Disclosure*

The Company's consolidated financial statements and footnotes are prepared in accordance with CMB's Communiqué Serial: XI, No: 29 and International Financial Reporting Standards (IFRS), independently audited according to International Standards on Auditing (ISA) and subsequently disclosed to the public.

### *Material Event Disclosures*

Developments that are likely to affect the value of the Company's capital market instruments are announced to the public without delay and within the time period specified in the legislation.

### *The CMB has not imposed sanctions on the Company due to any failure to timely disclose of material events.*

Since the Company does not have capital market instruments listed on foreign stock exchanges, there were no additional disclosure obligations.

### *Disclosure of Insiders*

The names of the people holding key positions in this context, in accordance with both employee contracts entered into with the Company and the provisions of the legislation, include the following:

- Hamdi Akın, Chairman of the Board of Directors, Akfen Holding
- İrfan Erciyas, member of the Board of Directors / Executive Director, Akfen Holding
- İbrahim Süha Güçsav, Chairman of the Board of Directors
- Mustafa Keten, Vice President of the Board of Directors
- Selim Akin, member of the Board of Directors
- Pelin Akin, member of the Board of Directors
- Sıla Cılız İnanç, member of the Board of Directors
- Hüseyin Kadri Samsunlu, member of the Board of Directors

- Mustafa Dursun Akin, Independent member of the Board of Directors
- Mehmet Semih Çiçek, Independent member of the Board of Directors
- Ahmet Seyfi Usluoğlu, Independent member of the Board of Directors
- Vedat Tural, General Manager  
Senior executives who have management capacities:
- Vedat Tural, General Manager
- Hülya Deniz Bilecik, Deputy General Manager (Corporate Communications, Human Resources and Administrative Affairs)
- Memduh Okyay Turan, Deputy General Manager (Operations)
- Servet Didem Koç, Finance and Investor Relations Manager
- Yusuf Anıl, Accounting Manager
- Sabahattin İlhan (Information Technology Department)
- Seçkin Yetkin (Information Technology Department)

During the audit periods, KPMG audit experts are among the people who have access to insider information.

In accordance with the Corporate Governance Principles, a list of individuals who have access to insider information is provided in the Corporate Governance Principles Compliance Report. In addition, whenever the list is revised, the updated version is posted at the Company's website.

### **9. 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](http://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 in the Company's letterhead and is available at [www.akfengyo.com.tr](http://www.akfengyo.com.tr):

- History of the Company
- Latest management and shareholding structure
- Board of Directors and its committees
- Latest version of the Articles of Association
- Prospectus and circulars
- Continuous disclosure form
- Real estate appraisal reports
- Monthly investor reports
- Profit distribution policy
- Trade registry data
- Annual reports
- 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 2.2.2 of the Capital Markets Board Corporate Governance Principles, all those relevant to the Company are published and updated on the Company's website.

## 10. Annual Report

Akfen Real Estate Investment Trust's Annual Report is prepared in detail so that to enable a 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 taken into account the Corporate Governance Principles.

## PART III - STAKEHOLDERS

### 11. 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.

While carrying out their duties, employees are expected to put Company interest above their own interests or 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.

### 12. 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 taken for important decisions that give rise to the outcomes in terms of Stakeholders' interests.

### 13. Human Resources Policy

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

- The principle of providing equal opportunities to employees with equal qualifications is adopted in recruitment, training and development, compensation and career planning.
- The recruitment criteria are outlined in written form and are followed in practice.
- Employees are treated equally in terms of development and promotion; development policies and plans are prepared to help employees to improve their knowledge, skills and experience.
- The job definitions, performance evaluations and remuneration criteria of employees are determined by managers and shared with employees.
- Relations with employees are maintained by the Corporate Communications, Human Resources and Administrative Affairs Department and without discrimination among employees. The Company has not received any complaints of discrimination from employees.

As of December 31, 2012, the total number of employees in Akfen Real Estate Investment Trust and its subsidiaries and joint ventures is 30.

### 14. Code of Ethics and Social Responsibility

#### *Code of Ethics*

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

These rules are designed to ensure that Akfen REIT managers and employees display the highest standard of behavior, be conscious 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 these issues.

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### PART IV - BOARD OF DIRECTORS

#### 15. 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 Incorporation. Accordingly:

Management, representation and binding against third parties of the Company are carried out by the Board of Directors that composed of 9 (nine) members, majority of them being non-executive, who are elected by the General Assembly under the provisions of 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 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 declarations of independence relating 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, 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, Non-Executive Board member
- Selim Akın, Non-Executive Board member
- Sila Cılız İnanç, Non-Executive Board member
- Hüseyin Kadri Samsunlu, Non-Executive Board member
- Mustafa Dursun Akın, Independent Board member
- Mehmet Semih Çiçek, Independent Board member
- Ahmet Seyfi Usluoğlu, Independent Board member
- Vedat Tural, General Manager

#### 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 degree 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. At Akfen Holding, Güçsav served as the Head of Financing Department and then as Chief Executive Officer. He assumed important roles at 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. Güçsav also held the position of Vice Chairman of the Board of Directors of Akfen Holding from 2003 to March 2010; since that time, he has been the CEO and Board Member of Akfen Holding. Serving as a member of the Board of Directors of Akfen Holding between March 2010 and May 2012, Güçsav has held the Akfen Holding CEO position since March 2010. In addition, Güçsav serves as the Chairman of the Board of Directors of Akfen REIT and Akfen Water and also a Board member at TAV Airports Holding, Mersin International Port, Akfen Energy Investments Holding and several other subsidiaries.

##### Mustafa Keten

###### *Vice Chairman of the Board of Directors*

Mustafa Keten graduated from the Istanbul Academy of Economics and Commercial Sciences, Department of Economic Administration in 1968. He began his professional career in 1970 as Assistant Specialist in the State Planning Organization. In 1978, he received an MA in Development Administration from the Institute of Social Studies in the Netherlands. From 1979 to 1999, Keten worked in the State Planning Organization as President of Priority Development Regions, then 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, Keten also served on the Board of Directors at Petkim (petrochemicals) and Tamek Gıda (foods) and as the Chairman of the Board of Directors at Güneş Sigorta (insurance) and at Vakıfbank. He has also been a faculty member at various educational institutions. Keten joined Akfen Holding in 1999 as Vice Chairman of the Board of Directors and has also served on the Board of the Eurasian Business Council, Turkish-Russian Business Council, Turkish-Georgian Business Council, as well as the President of the Turkish-Moldovan Business Council. Keten is currently the Vice President of the Turkish-Georgian Business Council, Board member of the Turkish Tourism Investors Association (TYD) and President of the Tourism Assembly at TOBB.

##### Pelin Akın

###### *Board Member*

Pelin Akın graduated from Surrey University, Department of Business Administration in Spanish, in the United Kingdom in 2010. She began her career in Strategy Division of the Finance Department of Deutsche Bank Madrid. After returning to Turkey, Akın began working at TAV Airports and joined the MT program t as a manager of the future. She assumed the responsibilities for event organization at the Spanish Business Council of DEİK and various other responsibilities within different working groups at the DEİK British Business Council. She actively works as a member of the Board of Trustees and on the Board of Directors at Human Resource Education and Health Foundation of Turkey (TIKAV), established in 1999 under the leadership of Hamdi Akın. Akın serves as the Vice-President in charge of International Affairs at the International Youth Awards Association, supported by Akfen Holding as the main sponsor; representing

the Association in the international arena. Akın is a standing member of the Advisory Committee representing Akfen as the Chair of Research in Contemporary Turkey at London School of Economics and has served as President of the Chair since 2010. Pelin Akın is also a member of GYIAD and is on the Board of Directors at Akfen Holding.

### **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 in the university and became a member of Young Businessmen Association of Turkey (TUGIAD) after his return to Turkey. At the same time Akın is a member of DEİK Turkish-Russian Business Council and on the Executive Board of the DEİK Turkish-Iraqi Business Council. Akın began his professional career in the Accounting Department at Akfen Holding and has held positions in the Project Development and Finance Departments. Some of the projects in which he has 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. Akın currently serves as a Vice Chairman of the Board of Directors of Akfen Holding and is 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 in 1996, she joined Akfen Holding in 1997. Mrs. İnanç worked in the areas 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. She participated in the tender and transfer processes of the Build-Operate-Transfer model and in the privatization applications of which Akfen and/or its subsidiaries were involved. İnanç has worked in the area of structuring project finance and loan transactions and was involved in administrative law, transfers of concessions and rights, construction contracts, FIDIC contracts and in the area of Energy Law and Corporate Law mainly in Renewable Energy and Energy Market issues. She currently serves on the Board at various Akfen subsidiaries.

### **Hüseyin Kadri Samsunlu**

#### *Board Member*

Hüseyin Kadri Samsunlu graduated from Boğaziçi University, Department of Economics in 1991 and received his MA in business administration from the University of Missouri in 1993. Subsequently, he became a CPA (Certified Public Accountant) in the US state of Missouri. Samsunlu began his professional career as a Financial Analyst at Türkiye Sinai Kalkınma Bankası. From 1995 to 2006, he held several management positions including General Manager and is a Board member at Global Investment Holding and its subsidiaries. Before joining Akfen in 2009, Samsunlu worked as a consultant in investments and corporate finance in Romania and Turkey for three years. He

was appointed to the Board of Directors at TAV Airports Holding in 2009 and currently serves as the Deputy General Manager at Akfen Holding and is on the Board of Akfen Holding 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 in 1978. Usluoğlu worked as an Inspector of the Audit Board at Türk Ticaret Bankası A.Ş. Head Office between 1982 and 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. Usluoğlu has served as an Independent Board 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 received his MA in Economic Policy from Marmara University, Institute of Social Sciences and began his professional career at Şekerbank where he held several positions in the Financial Analysis Department from 1974 until 1980. He has worked as Deputy Manager of Loans at the Head Office from 1980 to 1984, as Risk Monitoring Manager of the Risk Monitoring and Control Department between 1984 and 1993 and as Deputy General Manager from 1993 to 1999. Çiçek served as the Founding General Manager at Şeker Faktoring A.Ş. between 1999 and 2001; on the Executive Board as a member and as Finance Coordinator at Makimsan A.Ş. from 2001 to 2004 and as an Executive Board member and Deputy General Manager of Financing at AS Çelik A.Ş. Since 2008, Çiçek has been an Independent Board member at Akfen REIT.

### **Mustafa Dursun Akın**

#### *Independent Board Member*

Mustafa Dursun Akın graduated from Ankara University Faculty of Political Science, Department of Economics and Finance in 1974. He began his professional career as Assistant Inspector of the Audit Board at Vakıfbank in 1975. He subsequently worked in the same bank as an Inspector between 1978 and 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 Istanbul Region from 1993 to 1997; as President of the Audit Board in 1997; and as Deputy General Manager in 1998. Akın also served as General Manager at Vakıf Real Estate Expertise and Valuation in 2000 and as President of the Audit Board at the Istanbul Gold Exchange between 2003 and 2004. He has been serving as an Independent Board member at Akfen REIT since 2008.

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### Vedat Tural

#### General Manager

Vedat Tural graduated from Fırat University, Department of Civil Engineering in 1982. From 1984 to 1989, he worked as Field Engineer and Performance Engineer at the Altinkaya Dam Project undertaken by the joint venture of Yüksel Construction & Gürş A.Ş. Tural then served as Project Manager between 1989 and 2005 at several construction projects undertaken by Yüksel Construction, including the Swiss Hotel, 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 projects. During the time when Tural served as the Deputy General Manager of Technical Affairs at Akfen REIT, his completed projects include Kayseri Novotel and Ibis Hotel; Gaziantep Novotel and Ibis Hotel; and Bursa Ibis Hotel.

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.

There are no rules and/or restrictions on Board members regarding positions outside the Company. The duties taken by the members of the Board of Directors outside the Company are provided in their curriculum vitae.

#### Qualifications of Board Members

All candidates and all elected members of the Company's Board of Directors must meet the qualifications given 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 the 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 university graduates.

### 16. 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 documents 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, 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.
- 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 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.

#### Non-Transaction and the Non-Compete Clause

The General Assembly dated May 2, 2012 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 of 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.

## **17. 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 works, to prepare reports to be used by the Board, to decide the preparation of the balance sheet in particular all important issues and to overseeing the implementation of the decisions taken.

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. President of the Corporate Governance Committee is appointed by the Board of Directors.

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; and monitoring the application of these principles.

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**

Within the framework of the principles and the Company's Articles of Association, the Corporate Governance Committee also assumes the duties of 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 Markets Law.

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.

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### 18. Risk Management and Internal Control Mechanism

The Company's Risk Management is carried out by the Corporate Governance Committee. In order to initiate the Risk Management activities in the Company, Corporate Governance Committee decided to carry out trainings, one-on-one interviews and workshops on the Early Detection of Risk with consultation and support of DRT Independent Auditor and Certified Public Accountant Co. (Deloitte). The work on Early Detection of Risk was finalized 2012 and Risk Management Handbook was presented to the Board of Directors. It is decided that internal audits of the Audit Committee will be based on the principles defined in The Risk Management Handbook from now on.

Internal Control Mechanism fulfills the duties assigned to them by the Board of Directors with the creation of Audit Committee and within the organization of Audit Committee. Independent Board member Mustafa Dursun Akin serves as the Chairman of the Audit Committee.

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

#### *Strategic Perspective*

Akfen REIT is organized in the best way for a 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 performances 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 qualified people and teamwork.

#### *Principles*

To take the quality forefront in production, construction and management via working with a well-trained and experienced human resources, to complete works 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. 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.

### 20. 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 2011 Ordinary General Assembly Meeting dated May 2, 2012, it was decided that other Board members will not be paid any salary or attendance fee.

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.