

TSKB GYO

GAYRİMENKUL YATIRIM ORTAKLIĞI



TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

2012

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1. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (“TSKB REIT” or the “Company”) has adopted the equality, transparency, accountability and responsibility concepts within the frame of Corporate Governance Principles (“the Principles”) published by the Capital Markets Board of Turkey (“CMB”), and targets to achieve maximum compliance therewith in its operations.

Compliance works were continued in our company under the scope of “the official communiqué concerning defining and implementing corporate management principles (the principles)” Serial IV No 56 issued by Capital Market Board, which became effective after it was published at official gazette no 28158 dated 30th December 2011 and a Corporate Management Committee was established in the Board of Directors in 2012 and was made operative. Our company’s care about the corporate management principles and decisiveness to implement such principles as an ongoing and dynamic process is sustained. Our company believes in the importance of full compliance with corporate management principles. Our company complies with the corporate management principles, compliance to which is mandatory, and the other principles, which are beyond those that are to be mandatorily implemented and which we target to comply with to the greatest extent, have not caused any conflict of interest among the beneficiaries.

Corporate Management Committee and the company’s related personnel have continued to work for improving our corporate management practices during the year. On top of such works is the harmonization with the new arrangements that relate to corporate management principles of the capital market board and the new Turkish Commercial Code, which emphasizes corporate management. Required revisions are made with regard to full compliance with the principles by reviewing our company’s internet site and the annual report. Necessary works will be assumed in future too for compliance with the principles taking into account the developments and the applications in laws.

As a requirement and natural consequence of its customer-focus, TSKB REIT regularly monitors and observes the requirements and expectations of its customers, legal authorities, and other related parties with a specific emphasis on its investors, which need to be fulfilled. In our future operations, transparency and effective disclosures will constitute our strongest part in the global competitive environment and in the race towards modernism

The reports of compliance with corporate management principles of our company as for years are given at the corporate internet site www.tskbgyo.com.

Sincerely,

Hüseyin TİKEN
General Manager

Ömer ERYILMAZ
Chairman of the Board of Directors

PART I- SHAREHOLDERS

2. Investor Relations Unit

- 2.1.** The Company complies with applicable legislation, the Company’s articles of association, and other internal regulations concerning the exercise of shareholder rights, and all necessary actions are taken to enable exercise of these rights.
- 2.2.** The Company set up an “Investor Relations Unit” in order to monitor all relations between shareholders and the Company, and to ensure that any requirements regarding shareholders’ exercise of their right to obtain information are fully met. The Unit is basically assigned with the following duties:
- a) Carry out roadshows to introduce the Company to national and international individual and corporate investors,
 - b) Respond to queries and demands received from shareholders,
 - c) Introduce the Company to existing and potential corporate and brokerage house investors; fulfill the demands of analysts and researchers working for these organizations,
 - d) Keep the shareholders and potential investors proactively and regularly informed through active participation in conferences and investor meetings,
 - e) Serve as a bridge between shareholders and the Company’s top management and the Board of Directors so as to ensure reciprocal information flow,
 - f) Ensure that shareholder records are kept properly, securely and up-to-date,
 - g) Respond to shareholders’ written information requests about the Company, save for undisclosed, confidential information and trade secrets,
 - h) Conduct internal reporting to top management and the Board of Directors in relation to developments in the capital market and stock performance,
 - i) Draw up the Company’s Periodic Activity Reports and Year-End Annual Report shared at the General Meeting,
 - j) Carry out necessary checks to make sure that the General Meeting is held in accordance with applicable legislation, articles of association and other internal regulations, and undertake representation of the Company before shareholders at the General Meeting,
 - k) Observe and monitor all aspects of public disclosure, including applicable legislation and the Company’s disclosure policy,
 - l) Make sure that capital market and investor relations activities are carried out.
- 2.3.** Set up after TSKB REIT Stocks (TSGYO) started to be traded on the ISE Collective Products Market on 09 April 2010, the Shareholder Relations Unit was reorganized as Finance and Investor Relations Department in August. The Department reports administratively to the Company’s General Manager.
- 2.4.** During 2012, all of the queries and information requests received from shareholders directly or through brokerage houses were responded; related information and documents, except confidential ones or trade secrets, have been sent to the shareholders, on the principle of equal availability to all.

Furthermore, with a view to displaying a proactive approach in relations with shareholders, the Finance and Investor Relations Department conveys the management’s messages and its management strategies concerning the Company at regular meetings held before brokerage houses, in addition to public disclosures and material event disclosures. In this context, meetings were held with various brokerage houses at the TSKB REIT Head Office.

Contact information for the members of the Investor Relations Unit is presented below:

<u>Name</u>	<u>Title</u>	<u>Tel</u>	<u>E-mail</u>
Cengaver Yıldızgöz	Finance and Investor Relations Director	(212) 334 50 20	yildizgozc@tskb.com.tr

In addition, information about the Company is made available to shareholders in Turkish and English, in a regular and up-to-date manner, on the Company's corporate website accessible at www.tskbgyo.com.

- 2.5. One-to-one discussions were made with the portfolio managers and analysts of the investment companies during 2012 beside corporate and individual investors both on telephone and in company's head office. About 100 people were interviewed.
- 2.6. Maximum attention is paid to achieve compliance with legislation and the Company's articles of association in the fulfillment of investors' demands. The Company did not receive any written/verbal complaints in relation to exercise of shareholders' rights in 2012, nor are there any administrative/legal proceedings initiated in this respect against the Company, to the best of our knowledge.

3. Shareholders' Right to Obtain and Evaluate Information

- 3.1. No discrimination is exercised among shareholders in terms of exercising their right to obtain and review information; all information apart from trade secrets is shared with the shareholders.
- 3.2. All information requests received by the Company from shareholders directly or via brokerage houses during 2012 have been fully and timely met.
- 3.3. Presentations covering Company-related information and developments, financial data and news are regularly posted on the Company's corporate website. If queries are received in this frame, shareholders are asked to refer to the corporate website (www.tskbgyo.com), and all information and documents are made equally available to shareholders via the website.
- 3.. Our articles of association contain no provisions stipulating the request for appointment of a special auditor as an individual right. However, the said right can be exercised by shareholders owning 5% or more of the Company's shares, according to the provisions of the Turkish Commercial Code. Nevertheless, the Company received no such requests so far.
- 3.5. Pursuant to section 438 of Turkish Commercial Code, every shareholder may require the general assembly to clarify some events by a special audit even if such events are not included in the agenda, if it is necessary for exercising shareholder rights and the right to audit or getting informed was exercised before. There is not any request made in this regard.

4. Information on General Assembly Meeting

- 4.1. During the reporting period, the Company's 2011 Annual General Assembly Meeting was convened on 30 March 2011. Invitation to the meeting was published in the nationally circulated dailies, Milliyet and Hürses, as per the articles of association.
- 4.2. Before General Assembly Meetings, shareholders are briefed and informed on agenda items and the reasons for their inclusion in the general meeting agenda. The Company received no requests from shareholders for including additional items in the agenda.
- 4.3. The procedure for convening General Assembly Meetings ensures maximum participation by shareholders.
- 4.4. General Assembly Meetings are held so as not to give rise to inequality among shareholders, at the minimum cost possible to shareholders and in the least complex manner.
- 4.5. General Assembly Meetings were held in İstanbul where the Company headquarters is located so as to facilitate participation of shareholders.

- 4.6. The Company's capital is comprised of 150,000,000 shares each with a nominal value of TL 1. Of the capital, Class A shares that correspond to TL 10,000,000 and Class B shares that correspond to TL 4,091,111 are registered shares, whereas all of the Class C shares that represent the remaining TL 135,908,889 are bearer shares. The portion of Class C bearer shares that corresponds to TL 57.500.000 is traded on the ISE.
- 4.7. Drawn up for the Annual General Assembly Meeting, balance sheet and income statement for the fiscal year ending on 31 December 2011, the Board of Directors' Annual Report, Board of Directors' proposal for 2011 profit for the period, General Assembly Meeting agenda, Statutory Auditors' Report, Independent Audit Report and proxy form specimen were made available for examination by our shareholders three weeks prior to the Annual General Assembly Meeting date in accordance with the CMB's Corporate Governance Principles. The same were also posted on the corporate website at www.tskbgyo.com. The Investor Relations Unit has responded to queries received from shareholders from the announcement of General Assembly Meeting dates.
- 4.8. At the General Assembly Meeting, agenda topics are communicated impartially and in detail, in a clear and intelligible way; shareholders are given the chance to express their opinions and pose their questions under equal conditions, thus providing a healthy discussion environment.
- 4.9. At the Annual General Assembly Meeting, some shareholders' questions related to the agenda items were answered by the Presiding Committee.
- 4.10. Olagan Genel Kurul Toplantısı'nda şirketin 2011 yılı içerisinde bağış yapmamış olduğu ortakların bilgisine sunulmuştur.
- 4.11. At the General Assembly Meetings, open voting was employed by raise of hands. Voting procedure and procedure for attendance to the meetings have been communicated to the shareholders at the beginning of the meeting, as well as within the announcement text.
- 4.12. Quorum for decisions at General Assembly Meetings requires presence of shareholders representing at least half of the Company's capital or their proxies at the meeting; at the said meeting, out of 150,000,000 shares corresponding the Company's total capital of TL 150,000,000, 100,263,098 shares were represented in proxy. The meeting quorum secured at the Annual General Meeting was 67%.
- 4.13. Minutes of the General Assembly Meeting are made available at the Company headquarters. In addition, minutes of the General Assembly Meeting are also posted on the Company's corporate website accessible at www.tskbgyo.com.
- 4.14. Our shareholders, members of the Board of Directors, Company employees, members of the independent audit firm and the media attended the General Assembly Meetings.
- 4.15. Decisions concerning merger and demerger that would result in changes to the Company's capitalization and management structure are made by the General Assembly. Decisions of importance such as acquisition and/or disposal of assets are, however, made by the Board of Directors within the frame of the Company's articles of association.

5. Voting Rights and Minority Rights

- 5.1. The Company avoids practices that would make it harder to exercise voting rights, and all shareholders are given the opportunity to exercise their voting rights in the easiest and most convenient way.
- 5.2. Class A and Class B shareholders have the privilege to nominate members to the seats on the Board of Directors. Six of the Board of Directors members are elected from amongst nominees

named by Class A shareholders, whereas one member is elected from amongst nominees named by Class B shareholders. There are no privileges other than this.

- 5.3. Open voting is employed at the General Meetings by raise of hands, without prejudice to the special provisions in the applicable legislation and the Company's articles of association.
- 5.4. The Company pays attention to ensure that minority rights are exercised. The Company has received no criticisms or complaints in this respect in 2011.
- 5.5. The Company's articles of association contain no provisions that preclude a non-shareholder from voting by proxy in the capacity of a proxy holder.

6. Dividend Policy and Timing of Distribution

6.1. The company complies with Turkish Commercial Code, Capital Market Law and the regulations, which the company is subjected to, concerning payment of dividends. Thus payment of dividend is decided by the general assembly upon proposal made by the board of directors.

a) Legal reserve fund is set aside from the annual profit so attained (until reaching at 20% of the registered capital) and even after the limit is reached, the sums contemplated in items a and b of the 2nd paragraph of Section 519 of Turkish Commercial Code are added to the legal reserve fund.

b) Out of the remainder, the first dividend is paid at the rate, which was defined according to the Capital Market Law

c) If the company has already acquired his own shares, a reserve fund will be set aside to cover the acquired values pursuant to Section 520 of Turkish Commercial Code.

d) It is up to the decision of the General Assembly to pay the remaining profit in part or in whole or set aside as reserve fund.

e) 10% of the dividend payable to the shareholders, who are entitled to receive dividend, shall be added to the legal reserve pursuant to item c of the 2nd paragraph of Section 519 of Turkish Commercial Code.

No dividend payable to shareholders shall be defined unless the optional reserve funds, set out in laws and the Articles of Incorporation have been set aside. The optional reserve funds, which will be set aside by the company, are subject to the provisions Section 521 of Turkish Commercial Code.

General Assembly shall decide, based on the Articles of Incorporation, when and how the dividend shall be paid to the shareholders, taking into account the arrangements made by the Capital Market Board upon proposal by the Board of Directors. Dividends paid shall not be refunded. Provisions of Section 512 of Turkish Commercial Code are herewith reserved.

Board of Directors, at its proposal for dividend, which will be submitted to the approval of the general assembly, has assumed a dividend policy base on the following principles:

- The sensitive balance between the expectations of share holders and the company's need to grow will not be compromised and
- The dividend payable by taking into account the company's profitability shall be paid in cash or as free shares in the minimum amounts defined by Capital Market Law.

- 6.2. The fact that dividend distribution is carried out within the frame of the Turkish Commercial Code and the applicable Capital Market legislation is explained in periodic financial statements sent to the ISE, as well as in the related footnotes to the independent audit reports of the Company.
- 6.3. The dividend policy, which was adopted by the decision of the Board of Directors and submitted to the general assembly for approval on 14th May 2010, was revised and accepted by the decision of the Board of Directors and it will be submitted to the shareholders' approval at the general assembly meeting to be held on 25th March 2013.
- 6.4. Company's dividend policy is included in our annual report and disclosed in our corporate web site (www.tskbgyo.com)

7. **Transfer of Shares**

- 7.1. Class A and Class B shares are registered and Class C shares are bearer shares. No restrictions may be imposed upon the transfer of registered shares. However, shares representing the minimum shareholding percentage of the leader entrepreneur as defined in the capital market legislation may not be transferred to another person for a period of two years following the end of the term of sale by way of public offering of the shares representing the minimum public floatation percentage necessary to be attained as set forth by the applicable legislation.
- 7.2. All shareholders, including minority and foreign shareholders, are treated equally.

PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

8. **Public Disclosure Policy**

The purpose of the Company's disclosure policy is to ensure that shareholders, investors and stakeholders are informed on the future plans and forecasts of the TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB REIT), as well as on its strategy, goals and vision, and its past performance in a timely, complete, accurate, and effective manner, in accordance with the stipulations of the Capital Market legislation, TCC and ISE legislation and other applicable legislation.

The disclosure policy applies to any information that are legally acceptable to be disclosed; such information covers any information, documents, electronic records and data related to the Company's activities and are known by the members of the Board of Directors, senior executives and employees and which are not trade secrets.

Public Disclosure Methods and Facilities

TSKB REIT makes use of the following methods and means within the scope of its disclosure policy:

- a) Material disclosures
- b) Financial Statements and Footnotes, Portfolio Table, Independent Auditor's Report that are periodically submitted to the ISE
- c) Annual Reports
- d) Corporate website (www.tskbgyo.com)
- e) Investor and Analyst Meetings
- f) Press releases
- g) Press conferences

Insider Information

Insider information is information which relates to a material event that might impact the value of capital market instruments issued by the Company and investment decision of investors; which relates to undisclosed events and may be considered meaningful by a rational investor when making an investment decision; which might give advantage to its holder over other investors who are not privy to this information if used in the trading of capital market instruments; and which might, if disclosed, bear an impact upon the value of the related capital market instrument or upon investment decisions of investors.

Company employees who are privy to insider information and other parties with which there is an interaction are informed on their obligation to protect the confidentiality of the information during the formation of the material event and in the process from its formation until its disclosure at the ISE. As a general principle, those who work on behalf and account of the Company may not disclose any information, which might be considered of a material event nature and which is not publicly disclosed as yet, to third parties in whatsoever manner. In the event that any insider information shall have been inadvertently disclosed by such people to third parties, a material event disclosure shall be made forthwith if it is concluded that the confidentiality of information is and will remain compromised.

The Company or real persons or legal entities acting on behalf or account of the Company are required to prepare a list of individuals, whom they engaged on the basis of an employment contract or otherwise and who have access to insider information, within the frame of the CMB's "Communiqué on the Principles Regarding the Public Disclosure of Material Events". The list is prepared and kept up-to-date through communication of insiders by relevant units to the Company's human resources unit.

It is the essential principle to keep the list of insiders up-to-date at all times within the frame of changing projects and topics. The list is submitted for the information of relevant official institutions and establishments upon demand. Individuals named in the list must be informed in writing of their obligation to protect the insider information.

List of individuals who are in a position to access insider information is presented below:

<u>Name</u>	<u>Title</u>
Ömer Eryılmaz	Chairman of the Board
Ufuk Bala Yücel	Deputy Chairman of the Board
Berat Gökhan Çanakpınar	Board Member
Mustafa Göktaş	Board Member
Meral Özçiçek	Board Member
İbrahim Ümit Seğmen	Board Member (Independent)
Ali Rıza Keskinalemdar	Board Member (Independent)
Olcay Hedili	Member of the Board of Auditors
Cüneyt Demirkaya	Member of the Board of Auditors
Hüseyin Tiken	General Manager
F. Aslı Yılmaz	Investments Director
Cengaver Yıldızgöz	Finance and Investor Relations Director
Ş. Armağan Yıldız	Financial and Administrative Affairs Manager
Hakan Üşar	Asset Manager
Özgür Üçer	Project Manager
Songül Özdemir	Accounting Clerk
Ayda Lütfiye Kütük	Operation Officer
Elif Seyhan	General Manager's Secretary
Zekeriya Dursun	Transportation Staff

The independent Audit Firm, Legal Counsel, Tax Advisor, Real Estate Appraisal Companies and the authorized people in these companies within the frame of the scopes of their jobs.

Communication with Shareholders and People Authorized to Make a Public Disclosure

Any information request received by the Company is first evaluated to determine whether it is a trade secret and whether it is of a nature to impact investment decisions and the value of capital market instruments within the frame of the CMB Communiqué Serial: VIII, No: 54 on the Principles of the Public Disclosure of Material Events. Then, the information request is responded to in writing or verbally by;

- the chairman or members of the Board of Directors,
- the head and members of the Audit Committee,
- the General Manager,
- the Investor Relations Unit.

Other employees apart from those named above are not authorized to respond to queries. Company employees forward the questions posed to them to the Investor Relations Unit.

Authority and Responsibility

TSKB REIT Disclosure Policy has been prepared by the Board of Directors, which has the authority and responsibility to monitor, supervise and develop the Policy.

Enforcement

Accepted by the Board of Directors decision 102 dated 22 March 2010 and enforced upon public offering of the Company, the Disclosure Policy has been updated in its present form at the Board of Directors meeting held on 14 May 2010.

The Finance and Investor Relations Department is assigned with observing and monitoring all aspects of public disclosure. Below is a list of individuals authorized to give information together with their contact information, which is also made available to investors at KAP (Public Disclosure Platform) under the “Company Contact People” section within the frame of the Company’s Disclosure Policy:

Name	Title	Tel	E-mail
F. Aslı Yılmaz	Investments Director	(212) 334 50 20	yilmaza@tskb.com.tr
Cengaver Yıldızgöz	Finance & Investor Relations Director	(212) 334 50 20	yildizgozc@tskb.com.tr

When responding to queries, maximum care is paid to maintain the equality of opportunity among stakeholders.

Members of the Board of Directors, executives and shareholders possessing 5% or more stake in the capital directly or indirectly are obliged to publicly disclose the transactions they carry out on the Company’s capital market instruments in accordance with the Capital Market Legislation.

Consolidated financial statements and their footnotes have been drawn up and publicly disclosed within the frame of IFRS and in accordance with the presentation principles of the CMB, as permitted by the relevant regulations of the CMB.

The Company’s 2012 annual report and quarterly annual reports for 2012 have been drawn up in accordance with the Capital Market Legislation and Corporate Governance Principles announced by the CMB.

9. Company Website and its Contents

- 9.1.** The Company's corporate website at the address www.tskggyo.com is actively used for public disclosure purposes.
- 9.2.** The information posted on the website is also made available in English so as to enable their use by foreign investors.
- 9.3.** The website features a separate Investor Relations section so as to enable more comprehensive information flow to existing and potential investors and brokerage houses.
- 9.4.** The information covered in the website is presented below:
- a) Company Profile
 - About Us
 - Shareholder Structure
 - Board of Directors
 - Management
 - Vision & Mission
 - Strategy
 - Milestones

 - b) Investments
 - Pendorya Shopping Center
 - Fındıklı Office Buildings
 - Tahir Han
 - Adana Hotel Project
 - Projects

 - c) Investor Relations
 - Corporate Info
 - Constant Information Form
 - Share Information
 - Financial Statements
 - Annual Reports
 - General Assembly
 - Material Disclosures
 - Investor Presentations
 - Sector
 - Investor Contact
 - Frequently Asked Questions
 - Investor Relations Site Map

 - d) Corporate Governance
 - Shareholder Structure
 - Articles of Association
 - Statement of Preferred Shares
 - Board of Directors
 - Corporate Governance Committee
 - Audit Committee
 - Code of Ethics
 - Disclosure Policy
 - Dividend Policy
 - Remuneration Policy
 - Corporate Governance Principles Compliance Report

- e) Press Room
 - TSKB REIT in the Press
 - Press Releases
 - Logos
 - Image Gallery
 - Management

- f) Human Resources
 - Human Resources Policy
 - Job Application

10. Annual Report

- 10.1.** The Annual Report of Board of Directors, which is issued as of the end of term, is prepared with the details to ensure that public shall have accurate and full information about our company.
- 10.2.** The following information is given in the annual reports of board of directors, which are issued at quarter terms and which are disclosed to public according to the official communiqué concerning Financial Statements at Capital Market Serial XI no 29 by Capital Market Board:
- a) The summary of the expertise report, which was prepared regarding the assets in the portfolio
 - b) The summary of the developments during the last quarter
 - c) Additional explanations like the current situation of projects, percentage of completion and time, foreseen completion and problems.
 - ç) Details about the assets in the portfolio, which were rented
 - d) Comparative financial statements for the relevant term of the partnership
 - e) Information about control of portfolio limitations
- 10.3.** The annual reports of board of directors are disclosed to public at the times, which are indicated in the regulation of the board regarding financial statements
- 10.4.** The annual reports of board of directors are made available at the head office and the internet site of the company for review by the investors and are sent to shareholders if requested.
- 10.5.** The annual reports of board of directors also contain the following information in addition to the items, which are depicted in the relevant sections of legislation and corporate management principles:
- a) Principles about the members of the committees of board of directors, frequency of meeting and the activities carried out

 - b) Number of meetings of the board of directors during the year and attendance of the members of board of directors to such meetings

 - c) Information about the amendments in laws, if any, which might significantly influence the company's operations

 - ç) The important law-suits opened against the company and probable results

 - d) Information about mutual participation exceeding 5%

 - e) Information about the employees' social rights, professional training and the other corporate social activities that relate to the company's operations resulting in social and environmental events

f) The information, which are depicted in Art. 1.3.7 of Corporate Management Principles, are given.

g) Because our company receives no service on investment consulting and rating, no information is given about conflict of benefit etc.

h) Information is given about the duties of the members of board of directors and the managers, which they assume outside the company; however, the statements about the independence of the members of board of directors are not included in the annual report because such statements are covered by the relevant documents of the general meeting.

PART III- STAKEHOLDERS

11. Informing the Stakeholders

- 11.1. As detailed in Part I herein, shareholders and investors are kept informed, making use of the means described herein and in line with the Capital Market legislation and the Company's Disclosure Policy.
- 11.2. Shareholders, investors, financial institutions and our suppliers, who make up the Company's stakeholders, can access information about the Company via the meetings organized, presentations, news shared with printed and visual media, and our website.
- 11.3. By making General Meetings open to all stakeholders, providing detailed information on the website, preparing comprehensive annual reports, giving press releases, and basing our disclosure policy on transparency, we aim to inform not only the shareholders, but all stakeholders.
- 11.4. Necessary mechanism were established through which beneficiaries could convey to the corporate management committee or the committee responsible for audit the transactions of the company violating laws and which are unethical.

12. Stakeholder Participation in Management

- 12.1. Constant communication is maintained with stakeholders, their demands received by the Company are handled and solutions are suggested.
- 12.2. The Company's articles of association contain no stipulations setting out stakeholder participation in the Company's management.
- 12.3. The Company gives importance to keeping the employees informed on the Company's overall activities and implementations, and to seeking their suggestions.

13. Human Resources Policy

- 13.1. The fundamental principles of the Company's HR policy are stated below:

Recruitment

When recruiting, TSKB REIT attaches importance to make sure that the candidates possess the qualities and competencies required by the relevant position, and are prone to teamwork and development.

The Group administers aptitude tests, and personality tests depending on the relevant position, as well as other tests and interviews to evaluate professional knowledge and skills specific to the position.

Training and Development

TSKB REIT's objective in relation to its training programs is to provide its employees with specific knowledge, skills and attitudes, and to help them be equipped so as to be able to make use of the same in their personal lives.

Performance Development

TSKB REIT's HR practices are erected on the principle of contributing to its employees' personal and professional development.

Employees' competencies and professional skills are evaluated objectively and identified areas that need improvement are supported with training programs.

Remuneration System

In order to pay the right salary for the right job and to maintain internal balances, the remuneration policy implemented is based on levels, which are set in line with market conditions.

- 13.2. The Company's Human Resources Policy is posted on the website and thus shared with the public.
- 13.3. No complaints have been received from the employees with respect to discrimination.
- 13.4. The job descriptions and the job assignments of company personnel as well as performance and rewarding criteria are announced to the personnel.

14. Code of Ethics and Social Responsibility

- 14.1. Executives and employees observe these core values in all of their relations and affairs, and spend their best efforts to maintain the credibility of TSKB REIT and shareholders at the highest level.
 - a) The Company's activities are carried out on the basis of applicable legislation, the Company's articles of association and policies set.
 - b) Off-the-record activities are prohibited; it is essential that business records are accurate and consistent.
 - c) The Company's confidential information and employees' private data are kept in confidence.
 - d) Individuals who possess the professional qualifications necessary to perform the assigned duties are hired to work for TSKB REIT.
 - e) Employees are provided a safe working environment and the opportunity to advance in their careers at the business place.
 - f) Employees exercise maximum attention about Company expenses and are guided by a sense of saving and cost.
 - g) All employees perform their duties on the principles of equality, transparency, and accountability.
 - h) Relations between employees are built on mutual respect, trust and cooperation.
 - i) Employees may not use Company-related confidential and undisclosed information in favor of themselves or others.
- 14.2. The Company's Code of Ethics is available on the corporate website (www.tskbgyo.com).

- 14.3. When conducting its activities, the Company pays attention to fulfill its responsibilities in relation to prevention of environmental pollution and preservation of natural resources. No lawsuits were lodged against the Company during the reporting period on account of environmental damage.

PART IV- BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors

- 15.1. Our board of directors is comprised of total 7 numbers, two of which are independent. The basic qualifications of the members of our board of directors comply with the requirements depicted in the relevant articles of Corporate Management Principles of Capital Market Board. At all times, the persons having high skill and knowledge, a certain background and experience are elected as members of board of directors of TSKB GYO.

- a) A university degree,
- b) High level of knowledge and skills,
- c) Knowledge and experience in the Company's fields of activity, as well as in management,
- d) Capability to read and analyze financial statements and reports,
- e) Basic knowledge of legal regulations applicable to the Company,
- f) Means and possibility to attend the Board of Directors meetings.

- 15.2. The members of the Company's Board of Directors are named below:

<u>Member</u>	<u>Title</u>	<u>Independence Situation</u>
Ömer Eryılmaz	Chairman	-
Ufuk Bala Yücel	Deputy Chairman	-
Berat Gökhan Çanakpınar	Member	-
Mustafa Göktaş	Member	-
Meral Özçiçek	Member	-
Ali Rıza Keskinalemdar	Member	Independent
İbrahim Ümit Seğmen	Member	Independent

The CV's of company's general manager (Hüseyin Tiken) and the members of Board of Directors are shown below. The CV's of the members of Board of Directors are also given at our corporate internet site (www.tskbgyo.com) and company's annual report.

Ömer Eryılmaz

Ömer Eryılmaz graduated from the Faculty of Business Administration at Istanbul University. He began his career in 1986 at Sınai Yatırım Bankası as a financial analyst and became the Financial Control Manager in 1999. Since 2002, he has been working as the Head of the TSKB's Risk Management Department and the Head of the Board of Inspectors. Currently serving at TSKB as the Deputy CEO Responsible for Financial Control and Securities, Mr. Eryılmaz has been a Board member at TSKB since February 2006. He became the Chairman of Board of Directors of TSKB REIT in March 2011.

Ufuk Bala Yücel

Ufuk Bala Yücel graduated from the Department of Economics at the Bosphorus University in Istanbul. She obtained her master's degree from the Banking Department at the Marmara University. Beginning her career in 1987, Yücel joined TSKB as the Loans Manager in 2001 after having served in a variety of banks, including Interbank, Yapı ve Kredi Bankası and Finansbank. Currently serving as the Deputy CEO responsible for the Loans Division, Mrs. Yücel has also been a Board member of TSKB REIT since 2007. She became a Deputy Chairman of the Board in March 2011.

B. Gökhan Çanakpınar

B. Gökhan Çanakpınar graduated from the Department of Business Administration at the Middle East Technical University in 1988. After a long stint at the Isbank Data Processing Department, Mr. Çanakpınar joined TSKB in 1996, and has served in various positions in the Information Technologies division. Promoted as a member of the Board of Auditors at TSKB REIT in 2006, he was appointed as a Board Member in 2011.

Mustafa Göktaş

Mustafa Göktaş graduated from the Department of Industrial Engineering at the Bosphorus University and completed his master's degree at the Department of Economics of the same university. He joined the banking sector as a Financial Control Specialist at Koçbank in 1996. He joined TSKB in 2006 as a Financial Control Group Manager and was promoted to the Financial Control Department in 2008. Mustafa Göktaş holds a Public Accountant Certificate awarded by the Turkish Association of Chambers of Freelance Accountants, Financial Consultants and Certified Financial Consultants. He has served as a board member since 2011.

Meral Özçiçek

She studied Economics at Boğaziçi University. She started to work her career as Treasury Assistant Dealer in TSKB in year 1998. She promoted to Manager position in 2005 and Senior Manager position in 2009 in Treasury Department. In year 2012 she has been assigned to Financial Institutions Department as Department Head. Özçiçek was appointed as a Board Member in 2011.

İ. Ümit Seğmen (Independent Member)

Ümit Seğmen, born in Istanbul in 1956, completed his education at the Department of Industrial Engineering of Istanbul Technical University between 1975 and 1980 and received master's degree in the Faculty of Management of Istanbul Technical University between 1980 and 1982. He worked as advisor and expert in the technical assessment and expertise of the projects at Türkiye Sınai Kalkınma Bankası A.Ş. between 1982 and 2003. Today he continues his career at REEL Gayrimenkul Değerleme A.Ş. as Freelance Advisor.

Ali Rıza Keskinalemdar (Independent Member)

Ali Rıza Keskinalemdar graduated from the Faculty of Business Administration at Istanbul University. He began his career in Akbank as an assistant financial analyst. He served the bank for many years in various sections of the bank and also assumed managerial responsibilities before his retirement. Mr. Keskinalemdar was appointed as an Independent Board Member of TSKB REIT in 2010.

Hüseyin Tiken (General Manager)

Hüseyin Tiken graduated from the Faculty of Business Administration of Istanbul University in 1990. He attended to master's program in the branch "Management of Financial Corporations" at the Institute of Commercial Enterprises of Istanbul University in 1990-91 period. Tiken, who started his career in the independent audit company named DFK (Denetim Finans Kontrol), commenced to work at the department of Financial Analysis at TSKB in 1995. After having worked as manager in various departments of the Bank, he was finally appointed as Assistant General Manager to "TSKB Gayrimenkul Yatırım Ortaklığı" in April 2011 while he was the Group Manager. Then he became company's general manager as of 1st July 2012.

- 15.3.** The positions of the Chairman of the Board and General Manager are held by different individuals at the Company. The Board of Directors appoints a General Manager and sufficient number of managers to carry out the Company's business affairs. Individuals who will serve as the General Manager must have a degree from a four-year higher education institution offering education in economics, finance, business management, law, civil engineering, architecture or similar

disciplines, and must have at least five years of experience in one of the law, construction and finance sectors, which are closely related to real estate investments. Having dealt with real estate trading only does not constitute experience acquired in this field. The Company's General Manager is a banker, who has 17 years of experience in banking and nearly 5 years of experience in the real estate sector.

- 15.4.** Six of the Board members are elected from amongst nominations made by Class A shareholders, and one of them from amongst nominations made by Class B shareholders. Members of the Board of Directors perform their duties within the frame of the procedures and powers set out in the articles of association.
- 15.5.** Members of the Board of Directors are elected for a maximum term of office of one year. Any member whose term expires may be re-elected. Board members are designated by the General Assembly of Shareholders every year. If a seat on the Board is vacated for whatsoever reason, then the Board of Directors elects a person possessing the qualifications stipulated in the Turkish Commercial Code and the Capital Market legislation to fill such vacancy temporarily, and lays down the same for approval at the next General Meeting. A member so elected serves until the expiration of the original member's term of office.
- 15.6.** There are no restrictions preventing the Board members from taking on other duty/duties outside the Company. In the event a direct or indirect employment, capital or commercial relationship was established between the members of board of directors and the persons who are parties in the decision of the board of directors during the last 2 years or there is an affinity by marriage up to third degree including spouse, the relevant member of board of directors must report this to the board of directors with reasons and have it recorded in the minutes of meeting.
- 15.7.** Members of the Board of Directors are required to possess the qualifications stipulated in the Turkish Commercial Code, Capital Market legislation and other applicable legislation. Furthermore, majority of the members must be Turkish citizens.
- 15.8.** The members except the independent members of Board of Directors are employed by Türkiye Sınai Kalkınma Bankası A.Ş. No event has occurred, which abolish the independence of the independent members of Board of Directors during the past term. Members of Board of Directors spare sufficient time for company affairs.
- 15.9.** The independence declaration of the independent members of Board of Directors is given below.

To: The Board of Directors of
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

Because I am an independent member of Board of Directors appearing at the general assembly meeting held on 30th March 2012, I hereby declare that;

a) No direct or indirect commercial relationship of importance, in terms of capital and employment was established between one of the company's relevant members or the legal entities to which the shareholders holding directly or indirectly 5% or more of the company's capital relate, and me, my wife (husband) and my relatives by blood or marriage during the last five years;

b) I have not worked or assumed the role of membership of board of directors in the companies, which have conducted all or a part of the company's operations and organization according to signed contracts, primarily being the companies carrying out audits, rating and consulting of the company during the last five years.

- c) I have not been a shareholder, employee or member of board of directors of any firm, which supplies service and product to the company in considerable quantity during the last five years.
- d) The share I hold in the company's share capital is not more than 1% and such shares are not preferential shares.
- e) I have knowledge, experience and vocational training, required to fulfill the duties that I shall assume as an independent member of board of directors.
- f) I have not worked or shall not work on full time basis in any public organization as for the date when I was designated as a candidate for board of directors and when I am elected.
- g) I am resident in Turkey pursuant to the provisions of Income Tax Law.
- h) I have strong ethic standards, vocational credit and experience to maintain my impartiality in the conflicts of interest between the company shareholders, to contribute positively to company operations and to freely decide by taking into account the rights of the beneficiaries.
- i) I am able to spare time for company affairs sufficient to follow company operations and to fulfill my duties perfectly.

16. Operating Principles of the Board of Directors

16.1. Information about the principles of the activities of Board of Directors is as follows:

A-The Parties

- a) The shareholders holding 10% or more of company's share capital and the corresponding voting right
- b) The shareholders having the privilege to designate candidates for Board of Directors in the company
- c) Company's participations,
- d) The company giving consultancy service to the company
- e) Other companies in which those listed in (a) and (b) above have 10% or more of company's share capital and the corresponding voting right
- f) The companies providing management services to the company

B- Special decisions

- a) Decisions about purchase, sale, renting or leasing assets from the company's portfolio
- b) Decisions about the identification of the companies, which will carry out marketing of the assets from the company's portfolio.
- c) Decisions about establishment of loan relations
- d) Decisions about the identification of the broker, who commits to purchase company's securities at public offering
- e) Decisions for making joint investment
- f) Decisions about the identification of the real or legal persons who will provide financial, legal or technical consulting services to the company
- g) Decisions about the identification of the real or legal persons who will provide project development, control or contracting services to the company
- h) Decisions about taking the securities issued by the legal entities in paragraph A into the company's portfolio
- i) Decisions about the identification of the real or legal persons who will provide management services to the company
- j) Decisions, which will create results in favor of those listed in paragraph A.

The regulations concerning the corporate management principles of Capital Market Law shall be complied with for the transactions considered qualified in terms of the implementation of corporate management principles, the transactions of the company with the relevant parties and the transactions that relate to giving guarantee, mortgage and lien in favor of third parties.

- 16.2.** The Board of Directors of TSKB GYO, with its strategic decisions, is managing and representing the company by watching the long term benefits of the company, keeping growth and return balance at the most appropriate level with a pre-cautious risk concept. The board of directors observes that the company's operations comply with current laws, the articles of incorporation, internal regulations and the established policies and fulfills its functions by watching the long term benefits of TSKB GYO. The board of directors has taken all measures to prevent disclosure of the information about the company, which are not open to public and/or are qualified as commercial secret.
- 16.3.** The business of the meetings of the board of directors is prepared according to the requirements of company management and the board of directors. The board of directors meets at times deemed appropriate by company affairs upon call by the chairman or vice-chairman. Every member of the board of directors may ask in writing the chairman or vice chairman when the chairman is absent to call the board to meet. Vice chairman shall preside the meeting of the board of directors when the chairman is absent. Place of meeting is the company's head office but board of directors may convene at some another place provided a decision is taken or this purpose.
- 16.4.** The business of board of directors is normally composed of the following issues (including but not limited):
- a) Reading of the minutes of meeting of the previous meeting
 - b) Information about the decisions taken at the previous meeting
 - c) Developments in the economy
 - d) Developments in legal arrangements
 - e) The financial condition of the company
 - f) Discussing annual / period budget and business plans
 - g) Developments in investment projects
 - h) Acceptance or denial of new investment projects
 - i) Information about the company's securities performance
- 16.5.** The Board of Directors of TSKB GYO meets at the intervals so as to be able to fulfill its duties properly. The Board of Directors of the company has met 43 times during 2012. In all such meetings quorum was available and decisions were taken unanimously. The Board of Directors meets when majority of all members is present and takes its decisions with the majority of votes of the members present. In case of equal votes, the issue is adjourned to the next meeting. If there is still a tie, the issue is deemed denied.
- 16.6.** At the meetings, the reasonable and detailed reasons of the opposing votes and the questions asked by the members of the Board of Directors shall be recorded in the minutes. Because the decisions taken at the meetings of the Board of Directors during the year were taken unanimously, there is not any reason recorded about opposing views. Also no question was asked by the members, which should be recorded in the minutes of meeting.
- 16.7.** The members of Board of Directors may use affirmative or negative votes. The member giving negative vote shall write and sign the reason. Every member has the right to use one vote at meetings. The members of Board of Directors may not use vote on behalf of others and cannot be represented by a proxy.

16.8. There are no related party transactions and important transactions, which were submitted to the approval of the members of Board of Directors. The members of Board of Directors who are not independent do not have to be shareholders for their duty in the Board of Directors because they represent legal persons.

16.9. The board of directors has taken all measures to prevent disclosure of the information about the company, which are not open to public and/or are qualified as commercial secret.

17. The Number, Structures and Independence of Board Committees

17.1. There is a committee inside the board of directors, responsible for audit, according to the current law of Capital Market Board, for the purpose of properly fulfilling the duties and the responsibilities of the board of directors. “The official communiqué concerning defining and implementing corporate management principles” Serial IV No 56 issued by Capital Market Board was published at the official gazette no 28158 on 30.12.2011 and became effective. Pursuant to the said communiqué, a Corporate Management Committee was established in the company and the existing members of the Audit Committee were replaced with the Independent Members of Board of Directors.

17.2. Information about TSKB GYO corporate management committee and the committee responsible for audit are given below.

Corporate Management Policy

Name Surname	Position
Ali Rıza Keskinalemdar	Chairman
Mustafa Göktaş	Member

This committee shall assist and support the Board of Directors with respect to the conformity of the company to the corporate management principles, which are regulated by “the official communiqué concerning identification and implementation of corporate management principles” issued by Capital Market Board Serial IV No 56; and if no such principles are being implemented in the company, investigating reasons thereof and taking corrective measures by carrying out studies on such topics as investor’s relations and briefing public.

The committee shall review, assess and give recommendations on the systems and the processes, which the company has established or shall establish for the purpose of implementing the methods and the practices that promote company’s performance. Furthermore, the duties of the Candidate Designation Committee, The Committee for Early Determination of Risk and the Wage Committee, which are suggested by the Corporate Management Principles, will be fulfilled by Corporate Management Committee.

a. Establishment

The committee is established by the company’s Board of Directors and necessary power is given. The committee is formed again at the first meeting of the Board of Directors, to be made every year following regular general assembly meeting.

b. Membership

The committee is composed of at least two members who are elected by the Board of Directors pursuant to the company's articles of incorporation. Both members are elected from the people of the Board of Directors if the committee is composed of two members. If it is composed of more members, majority is elected from the people of the Board of Directors, who are not executives. In each case the Chairman of the Committee is elected from the people of independent members of the Board of Directors. Chief Executive Officer or general manager shall have no duty in the committee. The amendments to be made at capital market laws and relevant communiqués shall be complied with.

c. Meetings of the Committee

The committee meets at the head office at least once every quarter and submits the decisions taken to the Board of Directors. Time of meetings of the committee shall be synchronized with the meeting of the Board of Directors as far as possible. The committee may invite the manager it deems appropriate and take his advice.

All works done by the committee and the decisions taken at committee meetings shall be written down and signed by the members of the committee. The works and the decisions are recorded. The committee shall prepare a written report about its findings in the fields under its responsibility and submit it to the Board of Directors.

d. Duties and Responsibilities

The committee is responsible for monitoring compliance of the company with the corporate management principles. It has particular duty to investigate to what extent the corporate management principles were implemented in the company, to find out reasons if such principles were not implemented and to identify the conflicts of benefit and negative results arising from the non-implementation thereof and to give recommendations to Board of Directors to recover.

Also the committee shall assist the Board of Directors by carrying out wage, reward and performance assessment, career planning, investor relations and disclosure to public.

a. Conformity with corporate management principles

The committee shall give advice to Board of Directors on such issues like proper functioning of the infrastructure for the management practices targeting promotion of company's performance, its understanding and acceptance by the employees and supporting by the management. The committee shall monitor if the corporate management principles were implemented in the company, to find out reasons if such principles were not implemented and to identify the conflicts of benefit and negative results arising from the non-implementation thereof and to give recommendations to Board of Directors to recover.

b. Early Detection of the Risk

The committee shall also function as the Committee for Early Detection of Risk as provided in the corporate management principles. Accordingly, the committee shall carry out such works as early detection of the risks, which might jeopardize the company's survival, development and existence, and implementation of the measures for the risks detected and management of the risk.

The committee reviews the company's risk management systems at least once a year.

c. Disclosure to Public

The committee, by reviewing the annual report to be disclosed to public, shall control if the information therein are accurate and consistent with the information that the committee has.

The committee shall develop recommendations, which will ensure that the disclosure to public shall be made in compliance with laws and regulations and the company's "Disclosure Policy".

d. Designation of Candidates

The committee shall also function as Candidate Designation Committee as provided in the corporate management principles. Accordingly, the committee shall carry out such works as creation of a transparent system with regard to finding, assessing and training appropriate candidates for Board of Directors and top management and developing policies and strategies for this purpose. The committee shall make regular assessments about the structure and the efficiency of the Board of Directors and submit its recommendations about the changes to be made to the Board of Directors.

The committee carries out such works as defining the approaches, principles and the applications regarding the performance assessment and career planning of the members of Board of Directors and top management.

e. Investor Relations

The committee monitors the operations of "The Unit for Relation with Shareholders / Investors" (the unit) and cooperates with the Board of Directors and the unit in maintaining the efficient communication between the company and the shareholders, eliminating and solving the disputes that might occur.

Name, surname and contact information of the unit manager and any change in such information, if any, will be communicated to the exchange market for announcement in the bulletin pursuant to the regulations of the Capital Market Board concerning disclosure of special information to public.

The unit;

- a) Replies the information requests of shareholders and investors pursuant to the laws, the articles of incorporation, corporate management principles and disclosure policy except such information, which were not disclosed to public and are qualified as confidential and commercial secret.
- b) Arranges periodical investor briefing meetings and attends to the arranged meetings both inland and abroad pursuant to the laws, the articles of incorporation, corporate management principles and disclosure policy.
- c) Carries out necessary work to make the company's internet site an active communication platform for native and foreign investors.
- d) Watches and monitors that the disclosure process complies with current laws.
- e) Ensures keeping of the records of shareholders accurately, safely and updated.
- f) Ensures preparation of the reports as provided in relevant laws and corporate management principles.
- g) Checks that the general assembly meetings are duly held in conformity with current laws, articles of incorporation and other in-house arrangements.
- h) Prepares the documents to be submitted to the shareholders at general assembly meetings, keeps records of ballots and ensures that the reports are received by shareholders.
- i) Carries out necessary work to ensure that minutes of meeting are properly kept.

f. Defining the Wage Policy

The committee shall also function as Wage Committee as provided in the corporate management principles. Accordingly, the committee shall define the wages of the members of Board of Directors and top management taking into account the long term targets of the company. The committee defines the criteria that might be used in waging as they relate to the performance of the company and the member. The committee submits to the Board of Directors the advices concerning the wages to be paid to the members of Board of Directors and top management taking into account the level of fulfillment of the criteria.

The Committee Responsible for Audit:

Name surname	Position
Ali Rıza Keskinalemdar	Chairman
İ. Ümit Seğmen	Member

The committee ensures accurate monitoring of the company's financial and operational activities pursuant to the capital market law and the principles set out hereunder.

The purpose of the committee, which directly reports to the Board of Directors, is to ensure the control of the company's accounting system, disclosure of financial information, operation of independent auditing and its efficiency, as well as to take all necessary measures for accurate and transparent conduct of internal- external or independent audits.

a. Establishment

The committee is established by the company's Board of Directors and necessary power is given. The committee is formed again at the first meeting of the Board of Directors, to be made every year following regular general assembly meeting.

b. Membership

The committee is composed of at least two members who are elected from the people of the Board of Directors. The executive officer, general manager, the board members who are not independent or other third parties cannot become members of the committee. Amendments to be made in capital market law and communiqués shall be complied with.

c. Meetings of the Committee

The committee meets at the head office at least once every quarter and submits the decisions taken to the Board of Directors. Time of meetings of the committee shall be synchronized with the meeting of the Board of Directors as far as possible. The committee may invite the manager it deems appropriate and take his advice.

If deemed appropriate, the independent audit company attends to the meetings of the committee where the financial statements are assessed and briefs about the audits made. Independent expert opinions may be referred to when the committee needs for its activities. Cost of the consulting services that the committee shall need will be met by the company and all assistance and the resources, which might be needed during the committee's operations, shall be provided by the Board of Directors.

All works done by the committee and the decisions taken at committee meetings shall be written down and signed by the members of the committee. The works and the decisions are recorded. The committee shall prepare a written report about its findings in the fields under its responsibility and submit it to the Board of Directors

d. Duties and the Responsibilities

- ✓ Supervises company's accounting system, disclosure of financial information to public, operation and efficiency of independent audit and internal control system. Selection of independent audit company, preparation of audit contracts and starting independent audit process and operations of the independent audit company are made under the supervision of this committee;
- ✓ Audits compliance of the periodical financial statements and the footnotes to be disclosed to public with the international accounting standards and reports in writing to the Board of Directors after receiving the opinion of the independent audit company;
- ✓ Supervises compliance with in-house regulations and policies, which prevent misuse of the conflict of interest arising between the members of Board of Directors, managers and other employees and the information qualified as commercial secret.
- ✓ The complaints made to the company regarding company accounting, internal control system and independent audit as well as the reports of the employees are investigated and concluded by the committee responsible for audits under the principle of confidentiality.
- ✓ Gives a written report if the information in the annual report to be disclosed to public is accurate and consistent with the information that the committee has.
- ✓ Reviews important accounting and reporting issues as well as legal issues and investigates effects thereof on financial statements.
- ✓ If deemed necessary, the committee may insert some issues into the agenda of the company's general assembly meeting by reporting to the Board of Directors; and fulfills other supervising and monitoring duties as demanded by the Board of Directors.
- ✓ The independent audit company may inform the committee, responsible for auditing correspondence, of the important issues that relate to the company's accounting policy and practice if it deems necessary, within the framework of the international accounting standards, which it had previously communicated to the company, as well as alternative applications and disclosure.
- ✓ If it deems necessary, the committee may have special audits made and reports results of audit to Board of Directors; it may appoint experts to assist during such audits.

17.3. Mr. Ali Rıza Keskinalemdar, the independent member of Board of Directors, has a duty at the committee responsible for audit in addition to his duty at Corporate Management Committee. The reason for working in both committees is that number of members of the independent Board of Directors is two and the committee must contain an independent member.

17.4. Principles for the duties and the works to be performed in the committees are submitted to the information of the investors at KAP and shown at the company's corporate web site (www.tskgbyo.com).

18. Risk Management and the Internal Control Mechanism

18.1. While there is no dedicated Risk Management and Internal Control unit at the Company, a structure that observes internal control has been created in the distribution of duties, powers and responsibilities. The Management displays sensitivity regarding the Company's activities and related practices. The Company has adopted the Consolidated Risk Policies, which have been developed by İşbank for the organization and operation of risk management function at the Bank's

Group Companies, and introduced the risk management process, system, structures and arrangements set out in the said Policy across the Company. The Company's risk management process, system, structures and arrangements have been documented in the "TSKB REIT Policies", "TSKB REIT Risk Catalogue", "TSKB REIT Business Continuity Policies", "TSKB REIT Contingency and Business Continuity Plan", "TSKB REIT Emergency Action and Funding Plan", "TSKB REIT Risk Limits" ve "TSKB REIT Risk Report" which have been approved by the decision of the Board of Directors.

- 18.2.** The Company regularly prepares an Internal Control Report on an annual basis. Pursuant to Article 9 of the "Regulation on Banks' Internal Systems" of the Banking Regulation and Supervision Agency, banks' internal control systems also cover their partnerships subject to consolidation. Accordingly, as an associate subject to consolidation of our principal shareholder TSKB, our Company set up assessment and reporting systems for the internal control activity structure in 2008; to date, reporting has been made for the years 2008, 2009, 2010, 2011 and 2012, which have been presented to the Board of Directors for its information and assessment.

The annual Internal Control Report drawn up by the Company addresses five main headings, in line with the reporting format of our principal shareholder TSKB. Each of these main headings are weighted with respect to their significance determined by the Company, and various sub-criteria under these headings are scored by the Company, thus producing the total Overall Final Control Score.

Control Environment: Evaluation of a control system concerning the Company's activities and the presence of a workable control environment.

Risk Management: Putting forth opinions about the Company's risk management system and risk management practices.

Control Activities: Evaluation of control and audit activities with respect to workflows, processes and activities; challenging the record and documentation system.

Information and Communication: Assessment of information technology topics and internal communication channels and reporting practices.

Supervision and Assessment: Review of the management's supervision and assessment processes.

- 18.3.** The Company regularly undergoes Information Systems audit on an annual basis.

- 18.4.** Tasks carried out at the Company are based on specific regulations. Existing regulations are listed below:

- a) Purchasing Regulation,
- b) Travel and Expense Regulation,
- c) Personnel Regulation,
- d) Donations Regulation,
- e) Car Allocation and Transportation Regulation.

- 18.5.** Employees authorized to represent the Company and to sign under any and all documents that will bind the Company are set out in the list of authorized signatures. The list specifies the degrees of signature authority and the names of employees assigned to each degree. Within the frame of approval mechanisms, documents that form the basis of payments to be made by the Company are initialed and approved by the members and managers of related units.

19. Strategic Goals of the Company

- 19.1.** The Company’s mission is to establish and maintain a continuously growing and sustainable investment portfolio with high yields..
- 19.2.** The Company’s vision is to become a “Pioneering and Reliable” business partner in its sector.
- 19.3.** Our vision and mission are publicly disclosed on the Company’s corporate website and in the annual report.

19.4. The Company’s Strategic Goals / Principles

Segmental and geographical focus:

TSKB REIT pursues an investment strategy that is mostly concentrated on commercial real estate since they provide regular rental income and regular cash flow. Within its investment projects, the Company’s main focuses include business and shopping centers, and projects in tourism, logistics and industry sectors.

Besides commercial real estate, the Company also takes residential development projects into consideration in the form of mixed-use projects, depending on their potential profitability and exclusivity.

The investment strategy involves taking on developments in the developing regions in Anatolia, as well as in İstanbul and its vicinity. When doing that, the Company pays attention to make developments that are diversified according to each geographical location’s own dynamics and requirements.

Growth targeted through project development:

The Company pursues an investment strategy focused on project development, which aims to start a project from conception, organize all related efforts during the process, and finalize and realize the same in such a manner to provide adequate productivity commercially.

In keeping with the principle of maintaining investments that are added to the real estate portfolio through project development in the long-term portfolio, the Company’s targets include ensuring a sustainable growth while benefiting from potential increases in value.

Risk calculation:

A key component of the investment strategy is to minimize risk factors through verification of commercial viability at the very beginning, to guarantee the financing required for the project, and to question compliance with applicable legislation.

- 19.5.** Identification and approval of the company’s strategic targets is accomplished by the decision of Board of Directors. Board of Directors review the level of attainment of company targets, company operations and past performance at periodically held meetings of Board of Directors.

20. Remuneration Rights

- 20.1.** As covered in the Company’s articles of association, fees paid to the members of the Board of Directors for such capacity is set by the General Assembly of Shareholders according to Company’s Remuneration Policy.
- 20.2.** The criteria that are used in defining the rights, benefits and the wages to be provided to the members of Board of Directors and top management are depicted in the company’s waging policy. The information concerning “TSKB GYO Waging Policy”, which was submitted to the attention of investors at the company’s corporate web site (www.tskgyo.com) are given below. The Remuneration Policy completes basic principles of the company’s remuneration policy approach, reflects the mission, vision, strategy and values of the Company used in this approach

and highlights governance principles related to the implementation of the remuneration payment along with the requirements for compliance.

Principles of Pricing of the Board of Directors

The Remuneration Policy, created in compliance with the scope of the company activities and structure along with its strategies, long term targets and risk management structures is approved by the Board of Directors and reviewed minimum once a year to ensure its efficiency.

The Board of Directors provides, that the Board members, Executives of the Management and other personnel are paid a remuneration, that is in compliance with the ethical values, internal balance and strategic targets of the Company.

With reference to the fee system of independent members of the Board of Directors, the Company's share options or payment plans based on performance are used, so that the wages of independent members are determined in a level to protect their independency.

Performance and Remuneration System

Fixed Remuneration Payments

The fixed salary is determined according to the scope of the duty and responsibilities. Such a remuneration is calculated considering the conditions and experiences required for each individual position.

Remuneration Setting Criteria

- ✓ The remuneration to be paid to the members of the Board of Directors, to the Executives of the Management and other personnel cannot be only associated with short term performances such as the profit or revenues of the Company. The members of the committees consisting of the members of the Board of Directors can be paid considering the responsibilities they have been charged with. Attention is given, that the said fees are in compliance with the ethical values, internal balances and strategic targets of the Company.
- ✓ The fees of the members of the Board of Directors is approved by the General Assembly.
- ✓ Notwithstanding that it is possible to pay members of the Board of Directors and Executives of the Company based on the performance of the Company, such payments shall have positive effect on the corporate value of the Company and be subject to objective conditions.
- ✓ Job descriptions and assignments of employees along with the criteria related to payments based on performance are determined by the Executive Management of the Company. The subject criteria are reviewed regularly in line with the standards set and according to the responsibilities of the individual job.
- ✓ The amount of the fee based on performance cannot be granted in advance. Fees based on performance can be made considering the term of the taken risks and in instalments.
- ✓ For fees based on performance, assessed is the prior term performance of the employees.
- ✓ The Board of Directors have the final authorisation and responsibility in the efficient launch of the Remuneration Policy and its implementation. The Executive Management of the Company is accountable to the Board of Directors for the efficient implementation of the Company's remuneration system in line with the relevant regulations.
- ✓ Within the scope of this policy, essential is the compliance to the regulations required by the laws.

- 20.3.** When determining the financial rights to be provided to the Board of Directors, the Company's performance is taken into account.
- 20.4.** The Board members do not utilize, directly or indirectly, cash or non-cash loans from the Company, nor is surety or similar guarantee furnished in favor of Board members.