

TSKB GYO

GAYRİMENKUL YATIRIM ORTAKLIĞI



TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

2010

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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.

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.

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 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 2010, 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.

Meetings were held with a total of 22 funds in London, Frankfurt, Helsinki, and Stockholm to introduce the Company to resident corporate investors during the preparation phase for the IPO.

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

Name	Title	Tel	E-mail
Cengaver Yıldızgöz	Finance and Investor Relations Manager	(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. 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 2010, 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 2010 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, and all information and documents are made equally available to shareholders via the website.
- 3.4. 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.

4. Information On General Assembly Meeting

- 4.1. During the reporting period, the Company's 2009 Annual General Assembly Meeting was convened on 31 May 2010. Invitation to the meeting was published in the nationally circulated dailies, Milliyet and Sabah, 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 2009, the Board of Directors' Annual Report, Board of Directors' proposal for 2009 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.tr. 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. 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.
- 4.11. 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, 2 shares were represented in person and 103,313,098 shares were represented in proxy. The meeting quorum secured at the Annual General Meeting was 68.88%.
- 4.12. 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.
- 4.13. Our shareholders, members of the Board of Directors, Company employees, members of the independent audit firm and the media attended the General Assembly Meetings.
- 4.14. 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 2010.
- 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. Based on Article 31 of its articles of association, the Company abides by the stipulations made in the Turkish Commercial Code and Capital Market Law in relation to dividend distribution. Accordingly, sums that the Company is obliged to pay or set aside pursuant to general accounting principles such as the Company's overhead costs and various amortization amounts, and compulsory taxes payable by the Company as a legal entity and provisions set aside for financial obligations are deducted from the revenues computed at the end of the fiscal year; from the remaining net profit that descends on the annual balance sheet, prior year losses are deducted, and the balance, if any, is distributed in the order and on the principles mentioned below:

First Legal Reserve

- a) 5% of the remaining amount is set aside as first legal reserve until the total reserve is equal to 20% of the paid-in capital, as per Article 466 of the Turkish Commercial Code.

First Dividends

- b) Out of the remaining amount, first dividend in the ratio and amount as set out by the CMB is set aside as first dividends.

Second Dividends

- c) After deduction of (a) and (b) above from the net profit, the General Assembly is authorized to distribute the remaining amount in part or in whole as second dividends, to leave it on the balance sheet as year-end profit, to add the same to legal or optional reserves, or to set it aside as extraordinary reserves.

Second Legal Reserve

- d) Pursuant to Article 466, paragraph 2, subparagraph 3 of the Turkish Commercial Code, after deducting a dividend of 5% of the issued capital from the portion decided to be distributed to shareholders and other persons participating in the profit, one tenth of the remaining amount is set aside as second legal reserve.

- e) Unless and until the legal reserves that are required by law to be set aside and the first dividend for shareholders as set out in the articles of association are allocated, it may not be decided to set aside further reserves, to carry over profit to the following year, or to distribute profit share to the Board of Directors members and officers, janitors and workers.

Based on Article 32 of the Company's articles of association, the date and distribution manner of the annual profit to the shareholders are decided by the General Assembly of Shareholders upon proposal of the Board of Directors and taking into consideration the CMB's related arrangements. Distributed dividends may not be taken back.

In the dividend distribution proposals to be laid down before the General Assembly of Shareholders for approval, the Board of Directors has adopted a dividend distribution policy based on the principles of;

- a) Maintaining the delicate balance between the shareholders' expectations and the Company's need to grow, and
- b) Distributing the attributable profit in cash or as bonus shares at least at the minimum ratios stipulated by the Capital Market legislation, taking into consideration the Company's profitability.

This "Dividend Policy" was approved at the Board of Directors meeting of 14 May 2010, upon which it went into force and was posted on the corporate website (www.tskbgyo.com).

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.

7. **Transfer of Shares**

7. 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.

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

PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

8. **Public Disclosure Policy**

8.1. 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.

8.2. **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

8.3. **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.

8.4. 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.

8.5. 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.

8.6. 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.

8.7. 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 Manager	(212) 334 50 20	yildizgozc@tskb.com.tr
Kemal İpsalalı	Financial and Administrative Affairs Manager	(212) 334 50 20	ipsalalik@tskb.com.tr

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

- 8.8.** 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.
- 8.9.** 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.
- 8.10.** The Company's 2010 annual report and quarterly annual reports for 2010 have been drawn up in accordance with the Capital Market Legislation and Corporate Governance Principles announced by the CMB.

9. Material Disclosures

- 9.1.** The Company complies with the Capital Market legislation, ISE regulations and the Corporate Governance Principles issued by the CMB in its public disclosures.

- 9.2.** The Company made 12 material disclosures during 2010.

In addition to the abovementioned 12, there were 5 other material disclosures in which the Company was mentioned as "Relevant Stock" during 2010.

- 9.3.** Subsequent changes and developments that occur in relation to the Company's public disclosures are constantly updated and disclosed to the public.

- 9.4.** The Investor Relations Unit observes and monitors all aspects of public disclosure.

- 9.5.** Individuals authorized to make material disclosures in the Company have been designated and publicly disclosed; material disclosures bear the signatures of these individuals.

- 9.6.** Since the Company is not quoted on any overseas stock exchanges, it is not obliged to make material disclosures on any exchange other than the ISE as per CMB regulations.

- 9.7.** No additional information was required by the CMB or the ISE in relation to material disclosures made, nor were any sanctions imposed since the disclosures were made in due time.

10. Company Website and its Contents

- 10.1.** The Company's corporate website at the address www.tskbgyo.com is actively used for public disclosure purposes.

- 10.2.** The information posted on the website is also made available in English so as to enable their use by foreign investors.

- 10.3.** The website features a separate Investor Relations section so as to enable more comprehensive information flow to existing and potential investors and brokerage houses.

- 10.4.** 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
 - Land in Adana
 - 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
 -
 - Code of Ethics
 - Disclosure Policy
 - Dividend 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

10.5. The Company's letterhead incorporates the corporate website address.

11. Disclosure of Ultimate Controlling Individuals

11.1. Changes in relation to the Company's capital structure and/or control in management are publicly disclosed in accordance with the Capital Market legislation and CMB regulations.

11.2. The Company's shareholding structure as of 31 December 2010 is presented below:

	Share Amount (TL)	Share (%)
Türkiye Sınai Kalkınma Bankası A.Ş.	88,500,000	59.00
Yatırım Finansman Menkul Değerler A.Ş.	2,000,000	1.33
TSKB Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	1,150,000	0.77
TSKB Gayrimenkul Değerleme A.Ş.	449,998	0.30
TSKB Memur ve Müstahdemleri Yardım ve Emeklilik Vakfı	400,000	0.27
Other	2	0.00
Free Float at ISE*	57,500,000	38.33
Total	150,000,000	100.00

* As of December 31, 2010, 7,763,100 of the listed shares were held by Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB), thus, the total share of TSKB was 64.18% as of the date given.

12. Individuals with Access to Inside Information

12.1. The chairman and members of the Board of Directors, Statutory Auditors, Shareholders Relations Unit, senior executives of the Company, and those who may have access to insider information due to their positions are prohibited from using such information to derive benefits for themselves or for third parties.

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

<u>Name</u>	<u>Title</u>
A. Orhan Beşkök	Chairman of the Board
Ömer Eryılmaz	Deputy Chairman of the Board
Ufuk Bala Yücel	Board Member
Meltem Gülsoy	Board Member
E. Estel Gürdoğan	Board Member
Melahat Söğütü	Board Member (Independent)
Ali Rıza Keskinalemdar	Board Member (Independent)
B. Gökhan Çanakpınar	Member of the Board of Auditors
Cüneyt Demirkaya	Member of the Board of Auditors
Korkut Ün	General Manager
F. Aslı Yılmaz	Investments Director
Hakan Üşar	Asset Manager
Cengaver Yıldızgöz	Finance and Investor Relations Manager
Kemal İpsalalı	Financial and Administrative Affairs Manager
K. Serkan Hakan	Project Manager
Gül Uslu	Project Development Specialist
Ramazan Bayrak	Accounting Clerk
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.

PART III- STAKEHOLDERS

13. Informing the Stakeholders

- 13.1. 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.
- 13.2. 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.
- 13.3. 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.

14. Stakeholder Participation in Management

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

15. Human Resources Policy

- 15.1. 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.

15.2. The Company's Human Resources Policy is posted on the website and thus shared with the public.

15.3. No complaints have been received from the employees with respect to discrimination.

16. Relations with Customers and Suppliers

16.1. The Company observes the sustainability of service quality and standard at every phase of its service provision.

16.2. During service provision to related entities, the aim is to add value to the Company, as well as fulfilling the Company's needs, and transactions are priced on the basis of "aim's length" principle.

17. Social Responsibility

17.1. 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

18. Structure and Formation of the Board of Directors, and Independent Members

18.1. The Board of Directors consists of seven members in total, two of which are independent members.

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

<u>Member</u>	<u>Title</u>	<u>Independence Situation</u>
A. Orhan Beşkök	Chairman	-
Ömer Eryılmaz	Deputy Chairman	-
Ufuk Bala Yücel	Member	-
Meltem Gülsoy	Member	-
E. Estel Gürdoğan	Member	-
Melahat Söğütü	Member	Independent
Ali Rıza Keskinalemdar	Member	Independent

Members of the Board of Directors perform their duties within the frame of the procedures and powers set out in the articles of association.

18.3. The positions of the Chairman of the Board and General Manager are held by different individuals at the Company.

18.4. 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.

18.5. 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.

- 18.6.** There are no restrictions preventing the Board members from taking on other duty/duties outside the Company.
- 18.7.** 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.
- 18.8.** No direct or indirect employment, capital or commercial relationship must have been established in the past two years, nor must there be any relation by blood or marriage up to third degree including spouse between at least 1/3rd of the members that will serve on the Board of Directors, and
- a) The leader entrepreneur as defined in the Capital Market legislation;
 - b) Companies in which leader entrepreneur holds more than 10% share of capital or voting rights;
 - c) Other shareholders who have 10% or higher share of capital or voting rights in the Company;
 - d) Shareholders holding Company shares that incorporate the privilege to nominate to the Board of Directors;
 - e) The Company from which advisory service is procured;
 - f) Operator companies;
 - g) Companies in which shareholders possessing 10% or higher share of capital or voting rights in the Company or shareholders who possess shares that incorporate the privilege to nominate to the Board of Directors have more than 10% share of capital or voting rights, and the Company's associates.

If a fraction number is obtained when calculating the 1/3 ratio, then the nearest whole number will be taken as the basis.

- 18.8.** Pursuant to legislation, members of the Board of Directors who are not independent due to the fact that they represent legal entities do not have to be shareholders by reason of their seat on the Board of Directors.
- 18.9.** Résumés of our Board members are posted on the corporate website.

19. Qualifications of Board Members

- 19.1.** The key qualifications possessed by the Company's Board members are, in general, aligned with those set out in CMB Corporate Governance Principles Section IV, Articles 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5. The seats on the TSKB REIT Board of Directors are always filled with qualified individuals who have high level of knowledge and skills, a certain level of experience and background.
- 19.2.** Board members are required to possess the qualities set out in the Turkish Commercial Code, Capital Market legislation, and other applicable legislation; majority of Board members must be Turkish citizens.
- 19.3.** While the Company's articles of association contain no provisions regarding the qualifications of Board members, care is paid to elect Board members from amongst individuals who have:
- 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.

20. Mission, Vision and Strategic Principles of the Company

- 20.1.** The Company's mission is to establish and maintain a continuously growing and sustainable investment portfolio with high yields..
- 20.2.** The Company's vision is to become a "Pioneering and Reliable" business partner in its sector.
- 20.3.** Our vision and mission are publicly disclosed on the Company's corporate website and in the annual report.

20.4. 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.

21. Risk Management and the Internal Control Mechanism

- 21.1.** 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.
- 21.2.** 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 and 2010, 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.

21.3. The Company regularly undergoes Information Systems audit on an annual basis.

21.4. 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.

21.5. 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.

22. Authorities and Responsibilities of Board Members and Executives

22.1. As stated in the Company's articles of association, the Company is managed and externally represented by a Board of Directors that is formed of seven members who possess the qualifications set out in the Turkish Commercial Code and Capital Market legislation and who are elected by the General Assembly of Shareholders for a term of one year. Individuals authorized to represent and bind the company, and the scope of their authorities, are determined by the Board of Directors, and duly registered and promulgated.

22.2. In the event that the Board of Directors decisions regarding the issues listed under (B) below are not taken unanimously between the Company and the parties mentioned under (A) below, such decisions, together with the grounds therefor, are notified to the Capital Markets Board and İstanbul Stock Exchange in accordance with the CMB's guidelines related to public disclosure of material events; furthermore, they are included in the agenda of the immediately following General Meeting and information thereon is provided to shareholders.

A- Parties

- a) The leader entrepreneur as defined in the Capital Market legislation,
- b) Shareholders having 10% or more of the capital or voting rights in the Company,
- c) Shareholders having shares that incorporate the privilege to make nominations to the Board of Directors,
- d) The Company's associates,
- e) The firm offering advisory service to the Company,
- f) Other companies in which those listed under (a), (b), (c) and (d) above have 10% or more share of capital or voting rights.

B- Distinctive decisions

- a) Decisions on the purchase, sale, letting or renting of assets in the Company's portfolio,
- b) Decisions for determining the companies to market the assets in the Company's portfolio,
- c) Decisions on creating credit relationships,
- d) Decisions on designating the intermediary institution that commits to purchase in the public offering of the Company's shares,
- e) Decisions regarding joint ventures,
- f) Decisions on designating the real or legal persons to provide financial, legal or technical consultancy services to the Company,
- g) Decisions on designating real or legal persons to provide project development, control or contracting services to the Company,
- h) Decision on including the securities issued by legal persons mentioned under (A) above in the Company's portfolio,
- i) Decisions with results bearing benefits for any one of the parties mentioned under (A) above, although not mentioned above.

22.3. Based on a General Assembly Meeting or Board of Directors decision, administrative duties or representation power may, in part or in whole, be delegated to the vice chairman of the Board of Directors.

22.4. Members of the Board of Directors devote a sufficient amount of their time to the Company's affairs.

22.5. The Board of Directors has taken necessary measures to ensure that undisclosed information about the Company and/or information that is in the nature of a trade secret is not divulged outside the Company.

22.6. 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 an industrial engineer, who has 14 years of experience in banking and nearly 5 years of experience in the real estate sector.

The General Manager is obliged to manage the Company in line with the decisions of the Board of Directors, and in accordance with the provisions of the Turkish Commercial Code, Capital Market Law, CMB communiqués and other applicable legislation.

22.7. If a relationship in terms of employment, capital, or commercial purpose is established, directly or indirectly, between the Board members and parties to decisions to be adopted by the Board of Directors, or if there is relation by blood or marriage including spouse between the same, such

Board member is obliged to notify this situation and the grounds therefor to the Board of Directors, and to have the same recorded in the minutes of the meeting.

22.8. Board members may not, even by obtaining permission from the General Assembly of Shareholders, personally or indirectly engage in a commercial transaction that falls under the Company's scope, directly or indirectly, with the Company, on account of themselves or others, nor may they become an unlimited partner in a company engaged in same kind of commercial transactions.

22.9. Authorities are detailed in the Company's list of authorized signatures.

23. Operating Principles of the Board of Directors

23.1. The Board of Directors meets upon summons by the chairman or vice chairman as and when warranted by the Company's affairs. Each Board member can present a written demand to the chairman or vice chairman to summon the Board for a meeting. If the chairman or vice chairman will still not convene the Board, then the members will have *ex officio* right to convene the meeting.

23.2. Members of the Board of Directors personally attend meetings concerning belowmentioned matters listed in the CMB Corporate Governance Principles, Section IV, Article 2.17.4:

- a. Determination of the Company's fields of activity and approval of business and financing plans,
- b. Inviting the General Assembly for meeting and organization of the meeting,
- c. Finalization of the annual report to be presented to the General Assembly,
- d. Election of the chairman, vice chairman of the Board and appointment of new members,
- e. Formation of administrative units or termination of their activities,
- f. Appointment or discharging of the CEO,
- g. Establishment of committees,
- h. Merger, demerger, restructuring,
- i. Determination of the Company's dividend policy, the amount to be distributed from the profit for the period,
- j. Increasing or decreasing the capital.

23.3. Each member is entitled to one vote in the meetings. Votes are cast personally. Decisions may also be taken by getting written consents of other members for a suggestion brought by a member, unless a Board member requests a meeting.

23.4. The Board of Directors meeting agenda is determined by the chairman of the Board. The agenda may be modified by the decision of the Board of Directors.

23.5. Place of the meeting is the Company's head office. However, the Board of Directors may adopt a decision and meet elsewhere.

23.6. The Board of Directors convenes with a majority of its membership plus one, and decisions are passed by a simple majority of those present. If there is equality of votes, the relevant topic is postponed to be addressed in the next meeting. A proposal receiving equal number of opposite votes is considered to have been rejected.

23.7. All decisions passed at Board meetings are recorded.

23.8. The agenda of the Board of Directors meeting ordinarily includes the following (without limitation):

- a) Reading out the minutes of the previous meeting,
- b) Information on the actions taken in the previous meeting,
- c) Economic developments,

- d) Regulatory developments,
- e) The Company's financial status,
- f) Deliberation on annual/periodic budget and business plans,
- g) Developments in investment projects,
- h) Approval or rejection of new investment projects,
- i) Information on the Company's stock performance.

23.9. Since decisions were passed unanimously at the Board meetings held during the reporting period, no justifications were presented for matters in which dissenting opinions were voiced. Further, no questions were directed by members who constantly exchange opinions, which needed to be entered into the record.

24. Prohibition on Doing Business with the Company and Non-Compete Clause

Board members engage in no activities, which would be subject to any prohibition on doing business or competing with the Company and which would therefore require them to obtain the prior permission of the shareholders at a General Meeting.

25. Code of Ethics

25.1. 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.

25.2. The Company's Code of Ethics is available on the corporate website (www.tskbgyo.com).

26. The Number, Structures and Independence of Board Committees

26.1. In order to ensure that the Board of Directors fulfills its duties and responsibilities duly, there is a committee responsible for audit within the Board of Directors, in accordance with the applicable CMB legislation.

26.2. The General Assembly of Shareholders elects two statutory auditors from amongst shareholders or non-shareholders for a one-year term. Half plus one of the statutory auditors must be Turkish citizens. A statutory auditor whose term of office expires may be re-elected. Statutory auditors may not be elected to seats on the Board of Directors concurrently, nor may they be officers of the Company. Statutory auditors are charged with the performance of the duties listed under Articles 353-357 of the Turkish Commercial Code.

26.3. Statutory auditors carry out their activities in an orderly fashion as stipulated by the CMB Corporate Governance Principles and in accordance with the Capital Market legislation:

- a) The Company's annual/interim financial statements and footnotes, as well as independent auditor's reports, have been examined before they were publicly disclosed,
- b) Feedback has been provided in the selection of the independent audit firm to be engaged by the Company and the audit agreement has been reviewed.

27. Remuneration of the Board of Directors

- 27.1.** 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.
- 27.2.** When determining the financial rights to be provided to the Board of Directors, the Company's performance is taken into account.
- 27.3.** 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.