

Corporate Governance Rating

This report has been prepared by JCR-ER in compliance with the regulations of Capital Markets Board of Turkey

Publication Date: 26/02/2021

Sector: Real Estate Investment Trust (Reit)

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Ratings

Overall Score	9.22	AAA(Trk)/aa (Stable)
Shareholders	9.12	AAA(Trk)/aa (Stable)
Public Disclosure & Transparency	9.55	AAA(Trk)/aaa (Stable)
Stakeholders	9.39	AAA(Trk)/aa (Stable)
Board of Directors	8.97	AAA(Trk)/a (Stable)

Company Profile

Trade Name	Halk Gayrimenkul Yatırım Ortaklığı A.Ş.
Address	Şerifali Çiftliği Tathisu Mahallesi Ertuğrulgazi Sokak No:1 34774 Yukarı Dudullu - Ümraniye / İSTANBUL
Chairman	Mr. Ergin Kaya
General Manager	Mr. Bülent Karan
Investor Contact	Phone: +90.216.600 10 25 ir@halkgyo.com.tr
Web	http://www.halkgyo.com.tr/
Investor Relations	Mr. Uğur Güney

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Company Overview

Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (HALKGYO or Company) was established in 2010 as a subsidiary of Türkiye Halk Bankası A.Ş. Halk GYO's shares have been listed on the Borsa Istanbul (BIST) index with the ticker symbol of 'HLGYO' since February 2013 with a current free-float rate of 17,57% whilst the Halkbank is the qualified shareholder with a rate of 71,96%.

The main operating field of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. is to operate a portfolio consisting of real estate, real estate projects, rights based on real estate, capital market instruments and other assets and rights to be determined by the Capital Market Board ("CMB"). The Company's operating principles with respect to portfolio investment policies and management restrictions in compliance with the regulations of the CMB and relevant legislation. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and bank headquarter.

The Company's Board of Directors consists of seven members, including the General Manager and two independent members whilst four functional committees have been established under the scope of the Board; Audit, Corporate Governance, Early deduction of risk and Remuneration. The total number of personnel employed across the Company's operations amounted to 41 as of FY2020. BIST Indices that the Company is included can be listed as BIST CORPORATE GOVERNANCE / BIST STARS / BIST ALL SHARES / BIST REAL EST. INV. TRUSTS / BIST 100 / BIST 100-30 / BIST DIVIDEND / BIST FINANCIALS.

Strengths

- Satisfactory transparency and disclosure on web site in both Turkish and English
- Presence of a comprehensive and effective risk management, internal control system and internal audit activities structured in accordance with international practices, principles and organizational framework
- Qualified and educated Board of Directors, including two independent and one executive members
- Well established committee structure with clearly defined responsibilities and independent status of committee chairs
- Comfortable, safe and healthy working environment supported with occupational health and safety (ohs) principles

Constraints

- Absence of internal regulations to broaden the exercise of minority rights beyond the current legislation
- Lack of disclosure of the board members and the top managers' remunerations per person
- The privilege on the A group shares to determine majority of board members
- Non-existence of a female member in the Board
- Liability insurance coverage for Board Members and top managers below the threshold %25 of Company's capital as per regulations

1. Rating Methodology and Executive Summary

This report was prepared in light of JCR Eurasia Rating’s original methodological procedures in accordance with the Corporate Governance Principles (the code) set by the Capital Markets Board (CMB) and states Halk GYO’s level of compliance with Corporate Governance Principles as of March 2021.

The Capital Markets Board’s Corporate Governance Principles were first made public in 2003. Important revisions and changes were made at the beginning of 2012, in January 3, 2014 and October 2, 2020 as detailed in the Communiqué II-17.1 (accessible on www.spk.gov.tr).

The CMB pursued a significant change regarding the methodology of calculation of compliance rating scores in the beginning of 2014. Based on the recent CMB legislation, the new scoring methodology consists of two stages in which companies are allocated a base and a full score. In the new system, companies are first assigned a base score with a maximum of 85 points determining their compliance with the rules and practices outlined in the Code. In the second stage, an additional 15 points may be awarded depending on the efficient implementation and value creation achieved through practices exceeding those specified in the principles. Practices not stated in the Code but determined by JCR Eurasia Rating as best governance practices are also taken into account in the assignment of additional points. With these changes, CMB has placed special emphasis on functional compliance along with structural compliance with the Code and scores have been depressed as a result of the new calculation in two stages.

The Code consists of four main sections: Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors. These main sections’ coefficients, which were determined by the CMB, have been recently changed with the latest weight composition outlined below;

- Shareholders: 25%
- Public Disclosure and Transparency: 25%
- Stakeholders: 15%
- Board of Directors: 35%

These coefficients were 25%, 35%, 15% and 25%, respectively, in the previous years.

Subject to the preservation of the integrity of CMB regulations and regulations related to the Borsa İstanbul Corporate Governance Index and compliance with the limitations thereof, this report also covers topics such as implementations regarding “**Outlook**” determinations and “**Financial Efficiency**” analyses, all of which exist in JCR Eurasia Rating’s original methodological structure.

Findings and assessments within the content of the report are based on information and documents disclosed by the Company to the public through various channels and also submitted to JCR Eurasia Rating in writing and verbally, as well as reports and statistics disclosed on Public Disclosure Platform (PDP).

Distinct levels of the 4 main categories regarding compliance with the CMB Corporate Governance Principles are exhibited in the following table. The overall score has been calculated based on weightings determined for these 4 categories in line with CMB regulations.

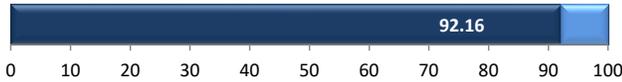
The Company’s compliance level and their corresponding notes are outlined below:

- Numerical value of
- Convergence Level **AAA(Trk)** representing the category of “**Distinctive Compliance**”
- Notch degree **(aa)** representing the category of “**Superior**”
- Outlook **(Stable)**

February 26, 2021				
Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	91.18	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosure and Transparency	95.50	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Stable
Stakeholders	93.93	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Board of Directors	89.73	AAA (Trk) (Distinctive)	(a) (Excellent)	Stable
Overall	92.16	AAA(Trk) (Distinctive)	(aa) (Superior)	Stable

JCR Eurasia Rating's notation system may be viewed at:
http://www.jcrer.com.tr/Upload/Files/Reports/538_kyder_notation_oct2010.pdf

Overall Score %



Overall Result

9.22

AAA (Trk) / aa

Stable

Outlook

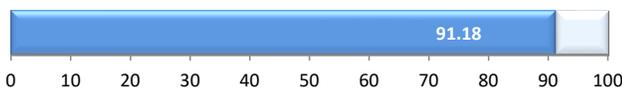
JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Company will maintain its level of compliance on an overall basis. For this reason, the outlook for the Company has been determined as **“Stable”**.

2. Shareholders

Through the analysis of data gathered during the rating process, the compliance level of the Company in the Shareholders main section and the corresponding levels within the JCR Eurasia Rating's notation system have been determined as follows;

- Numerical value is **9.12**,
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**,
- Notch degree **(aa)** representing the category of **“Superior”**,
- Outlook **(Stable)**,

Shareholders Score %



Shareholders Result

9.12

AAA (Trk) / aa

Stable

Halk GYO's fields of compliances, non-compliance, and those needing improvement in the Shareholders section are summarized in the table below:

Synopsis Table-(Shareholders)

Plug-Compatible

- 1 Functional Investors Relations Unit to facilitate the use of the shareholders' rights
- 2 Holding general meetings in compliance with the regulations
Presence of the required infrastructure for shareholders to remotely participate in the general meeting via e-EGM (Electronic General Meeting)
- 3 Presence of a disclosed dividend distribution policy.
- 4 Disclosure of related general meeting documents to the public
- 5 Presence of a disclosed donation policy and the amount of all donations and their beneficiaries are included in a separate article on the agenda of the general meetings.
- 6 The provision of the Company's website as an effective platform in the appropriate briefing of shareholders.
- 7 Absence of any evidence indicating discrimination among shareholders
- 8

Not Compatible

- 1 Absence of any regulations in the articles of association to broaden the exercise of minority rights beyond the current legislation
- 2 Privileges placed on the Company's shares (Group A shares of the Company have the privilege to nominate a candidate for more than one half of the Board of Directors.
- 3 Absence of any regulation in the articles of association with regard to shareholders' rights to demand a special auditor as an individual right

The Shareholders section is composed of 7 sub-sections. The Company's compliance level and activities conducted under these subsections are detailed below:

2.1- Simplifying Exercise of Shareholding Rights

Halk GYO has a functional Investor Relations Unit within the Directorate of Corporate Communication and Investor Relations, which operates under the General Manager. The unit, in addition to its basic responsibilities of securing the flow of information between the Company and its shareholders also facilitating regular and effective management of the use of shareholder rights, public disclosure and information, especially the general assembly and capital increase transactions.

Questions submitted by individual and corporate investors are returned by the department via phone or email. The department is led by Uğur Güney, a Corporate Communication and Investor Relations Director and also a member of the Corporate Governance Committee, having the certificates which is compulsory according to CMB regulations.

Meetings and presentations with national and international corporate investment companies or intermediary institutional analysts are also arranged by Investor Relations Department. The Investor Relations Department reports to BoD at least quarterly periods. Important developments are updated on the corporate website of the Company that took place during the year, legislative changes concerning investor relations activities and has also been active in the process of rating and improving corporate governance practices.

2.2- Rights to Information and Examination

According to the Turkish Commercial Code, shareholders have the right to demand the appointment of an independent auditor to investigate a special case. However, shareholders have not yet utilized this right as have no right in the Articles of Association of Company to demand the appointment of an independent auditor to investigate a special case – as is the common practice in Turkey. Altogether this right exists for the minority shareholders in the Turkish Commercial Code; the shareholders other than the minority with less than a 5% share in capital are not entitled to the right to demand the appointment of an independent auditor. There are no exercises restricting shareholders' rights.

Shareholders are provided with all necessary information and documents by related Departments via the Company's web site, phone or email. Through this flow of information, no evidence of discrimination among shareholders was observed. Additionally, there have been no revocation actions against the general meeting resolutions by the shareholders.

The Company has determined the Information Policy to be valid from 2010 and submitted for its shareholders' information at the 2010 General Assembly. The "Information Policy" of Company adopts to disclose the information in time, completely, clearly and in an easily accessible way. Additionally, all queries (oral and written) from the shareholders during the period were answered prior to and after the General Assembly within the scope of the Company Disclosure Policy.

2.3- Right of Access to General Shareholders Meeting

Annual General Shareholders Meetings are organized by the Investor Relations Department. The 2019 ordinary general meeting was held on June 24, 2020 at 14:00, at the address of Şerifali Çiftliği Tatlısu Mahallesi Ertuğrulgazi Sokak No:1 34774 Yukarı Dudullu Ümraniye/İSTANBUL which represented the Company's headquarters. It can be stated that this meeting was held in compliance with the legislation and Code.

The shareholders have been able to remotely participate in the general meeting via e-GEM (Electronic General Meeting).

The shareholders are invited to the annual general meetings at least three weeks prior to the date of the meeting through announcements on the Company's website. The invitation text contains a detailed document depicting the shareholder participation process and agenda. Financial statements, the annual report, amendments to the articles of association, current and to-be-amended texts of the related clauses and other relevant documents within the agenda are disclosed to the public via the website and headquarters, 3 weeks prior to the day of the meeting.

Meetings are held in the headquarters of the Company. Agenda items are individually discussed, each shareholder has the opportunity to speak whilst their proposals and

queries are answered by related parties. As of the date of the announcement on the corporate website of the Company, the total number of shares and voting rights reflecting the shareholding structure of the Company, and information on privileged shares in the Company's shares have been announced to the shareholders. Agenda items are individually voted and votes are counted and placed on the minutes before the end of the meeting. Moreover, the dissenting opinions by the shareholders are included in the minutes.

General Assembly process was carried out in compliance with the Corporate Governance Principles and the provisions of the TCC; as anticipated in the invitation regarding the meeting, Law and Articles of Incorporation, and by involving the agenda and amendment draft, Public Disclosure Platform (PDP) Company's website, Electronic General Assembly System (EGAS) of CRA were published in Trade Registry Gazette and invitation letter was also sent to registered shareholders whose shares are not traded on the stock exchange via registered letter with return receipt. In addition to those, a "General Assembly Information Document" was prepared for the investors to give prior information on topics to be discussed in the general assembly and a sample of power of attorney, agenda and suggestion of Board of Directors about dividend were added to Company's website together with the invitation text.

While preparing the agenda of the General Assembly, attention was paid to the fact that each proposal was detailed under a separate heading, and the agenda headings were presented clearly and in a way that would not cause different interpretations. Shareholders were given the opportunity to express their opinions and ask questions under equal conditions. After the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed through the Public Disclosure Platform and were submitted to shareholders' information by publishing them under the heading of "Corporate Governance-General Assembly" beneath the "Investor Relations" section of the Company website.

The auditors responsible for preparation of financial reports, board members, other relevant people attended at

the general assembly meeting to provide necessary information and answer questions.

On the other hand, there is no provision in the articles of association to invite stakeholders and media to meetings without any right to speak. However, such practice in Turkey is very rare.

2.4 Voting Rights

There is a privilege on the Company's shares. Group A (has a share of 1.62%) shares are entitled to nominate a candidate for the election of the members of the Board of Directors. The member who will constitute one more than the half of the Board of Directors will be elected among the candidates as nominated by the Group A shareholders, and the rest will be elected among the candidates as nominated by the Group A and B shareholders. "No securities can be issued, which provides privilege other than those shares that already grant privilege to nominate candidates for the election of the members of the Board of Directors. No privilege can be created including the privilege for nominating candidates to the Board of Directors after public offering" was inserted in the Articles of Association of Company.

There are no privileges other than mentioned above paragraph on the Company's shares in other matters and the rule of one-share-one-vote is applied. Voting rights stem from the possession of shares and voting rights may be exercised both by the shareholders themselves or their proxies.

The Company management has established appropriate facilities in order for the shareholders to exercise their voting rights. In general meetings, voting rights may be exercised both by the shareholders themselves or their proxies. In addition, the method of exercise of voting right and principles related to voting at General Assembly Meetings are placed in the Company's "General Assembly Operating Principles and Procedures Guidelines", which has been submitted for approval at the General Assembly and has been publicly disclosed.

2.5- Minority Rights

Shareholders holding more than 5% of shares according to the Turkish Commercial Code are entitled to minority rights. On the other hand, CMB Corporate Governance Principles recommend the recognition of minority rights to all shareholders even if they hold less than 5% of shares. However, Halk GYO and other many companies in Turkey have not shown any action to date in this regard. There are no clauses in the articles of association of the Company to broaden the exercise of minority rights beyond the current legislation. However, despite this non-compliance, the Company is committed to respect all minority rights of the shareholders within the legislation and until now there is no evidence of violation against minority rights.

2.6- Dividend Rights

The transactions of dividend distribution are performed in accordance with the clause 30 of the Articles of Association. The dividend policy of the Company is determined by the Board of Directors considering the shareholders' equity structure and cyclical changes and the Company also has a disclosed dividend distribution policy (through website and annual report) that was approved by the shareholders in the general shareholders meeting. The Company revised Dividend Policy in the scope of Dividend Communiqué by Capital Market Board and presented to shareholders' approval in the General Assembly. Confirmed and revised policy was disclosed to public and published in Company Annual Report and on Company website. The Company takes a principle of paying dividends to shareholders at least 50% of the distributable net profit for the period of each accounting year as cash dividend or bonus shares.

None of shareholders of the Company has any privilege in terms of dividend rights. Regarding the dividend distribution to date, no implementation by the Board has been found to violate the balance between interests of the Company and shareholders. There is no provision in the articles of association about the advance dividend and consequently no implementation in the advance dividend so far.

The proposal of the Board of Directors regarding the profit distribution for the year 2019 was approved and the cash amount of the profit distribution was distributed to partners on 29.06.2020. In specific, at the Ordinary General Shareholders' Meeting of 2019 held June 24, 2020, the amount of 4,400,000 TRY of the distributable period profit of 2019 distributed as cash on 29.06.2020 to the shareholders.

2.7- Share Transfer

The clause 8 of the Articles of Association deals with the Company's capital and shares. There is no provision in the articles of association that would act as a hindrance on the transfer of shares. Group A shares are registered with names and Group B shares are bearer shares. Transfer of shares registered with names cannot be restricted. However, the transfer of privileged shares in the amount that ensures management control in the period after the public offering of the company shares is subject to the permission of the CMB as stated in Articles of Association. Share transfers without this approval will be null.

Outlook

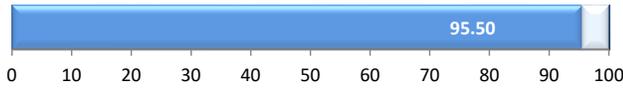
JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Company will maintain its level of compliance in the Shareholders main section. For this reason, the outlook for this section has been determined as **"Stable"**.

3. Public Disclosure and Transparency

This section focuses on the disclosure of information and documents needed by shareholders and stakeholders while protecting trade secrets. The Company's level of compliance in this field and their corresponding notes are outlined below;

- Numerical value of **9.55**,
- Convergence Level of **AAA(Trk)** representing the category of **"Distinctive Compliance"**,
- Notch degree (**aaa**) representing the category of **"Exceptional"**,
- Outlook (**Stable**)

Public Disclosures and Transparency Score %



Public Disclosure and Transparency Result

9.55

AAA (Trk) / aaa
 Stable

The Company's fields of compliance, non-compliance, and those needing improvement in the Public Disclosure and Transparency section are summarized in the table below:

Synopsis Table - (Public Disc. & Trans.)

Plug-Compatible

1	An effective and transparent website platform in both Turkish and English.
2	Existence of an information policy adopts to disclose the information in time, completely, clearly and in an easily accessible way
3	Official PDP disclosures performed in an exact, accurate and timely manner and a link to the PDP is included under Information Policy Segment
4	Transparency of the shareholder structure and disclosure of ultimate shareholders
5	High compliance with the independent audit firm in accordance with the legislation
5	Publication of an annual report of a high level of compliance with Corporate Governance Principles

Partially Compatible

1	Lack of disclosure of the per-person remuneration of the top managers and the board members
2	Absence of corporate social responsibility reports

The Public Disclosure & Transparency section is composed of 2 subsections. The compliance level of Company and the activities conducted for the standards under these subsections are detailed below:

3.1- Web Site

The Company's website, <http://www.halkgyo.com.tr/> and <http://www.halkgyo.com.tr/yatirimci-iliskileri> area good transparency platforms and are kept up-to-date to provide important information about the Company to its investors and stakeholders in Turkish and English. The website contains the following information under the segments of corporate, investor relations, portfolio, press and contact:

- ✓ **Corporate:** Information about the Company, Vision and Mission, Prospectus and Circular for IPO (only in Turkish), Shareholder Structure, Privileged Share, Organization Chart, BoD, Executive Management, Articles of Association, Trade Registry Information, Code of Ethics
- ✓ **Investor Relations: Company Profile** (About Halk GYO, Vision and Mission, Prospectus and Circular for IPO - only in Turkish, Shareholder Structure), **Portfolio** (Ongoing and Completed Projects, The Sources of Rental Income, Lands), **Corporate Governance** (Corporate Governance Compliance Report, Corporate Policies(Dividend, Disclosure-Information, Donation, Remuneration and Anti-Corruption Policies), Committees (Audit, Corporate Governance, Early Detection of Risk, Remuneration Committees), Risk Management, Internal Audit), **General Assembly** (Capital Increase and Dividends), **Financial Information** (Annual Information, Financial Reports and Independent Auditors' Reports, Presentation, Rating Reports (Credit and Corporate Governance Rating Reports), Disclosures to ISE, Calendar (Financial Disclosure, General Assembly Meeting, Investor Conferences), Analyst Coverage, CMB Regular Disclosure Form, Investor Relations Contact
- ✓ **Portfolio:** Ongoing and Completed Projects, The Sources of Rental Income, Lands
- ✓ **Press:** Halk GYO Logo, Contact Information
- ✓ **Contact**

Additionally, under the heading of frequently asked questions, information requests, questions and notices

received by the Company and related answers were not included in Company website.

The Company's controlling shareholder is Türkiye Halk Bankası A.Ş. with a rate of 79.33% (including publicly traded shares of 7.36%). The shareholder structure is disclosed clearly to the public on the web site, which also includes links to the websites of controlling shareholder.

3.2- Annual Report

The Company regularly publishes an annual report which is disclosed on the website in a way to ensure that the public has access to complete, correct and timely information on the Company's activities. This report was prepared with a high level of compliance with the code including information such as;

- ✓ Information about detailed company profile,
- ✓ Evaluation of the period and Company activities regarding, information about the important changes that took place after the accounting period
- ✓ Information about the meeting of Board and committees,
- ✓ Information of assets and rights, annual targets, degree of realization of targets
- ✓ Share performance,
- ✓ Information on internal control and audit systems, risk management policies and internal control mechanisms
- ✓ Information on suits filed against the Company,
- ✓ Information about the related parties' transactions,
- ✓ Service providing companies

The Company has also prepared "Compliance with the Corporate Governance Principles Report" and "Corporate Governance Information Form" and disclosed it on the web site.

The independent audit company of Halk GYO in 2020 is DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte) as namely given information in annual report.

On the other hand, information about the remunerations of Board members and top managers were given collectively, not for per person in the audit report.

Outlook

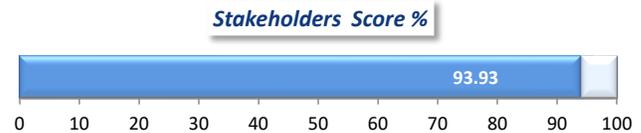
JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Company will maintain its level of compliance in the Public Disclosure and Transparency main section. For this reason, the outlook for this section has been determined as "Stable".

4. Stakeholders

With the exception of senior-level managers, a Company's employees, customers, suppliers, creditors, public authorities and the public in general are considered to be stakeholders. The rules and practices in this main section primarily aim to secure the rights of stakeholders and facilitate the exercise of their rights, thus maximizing their contribution to the institution.

Through the analyses of JCR Eurasia Rating's original methodology, the compliance level of the Company's practices with the corporate governance principles in the field of stakeholders has been determined as below:

- Numerical value is **9.39**,
- Convergence Level **AAA(Trk)** representing the category of "Distinctive Compliance",
- Notch degree **(aa)** representing the category of "Superior",
- Outlook (**Stable**)



Stakeholders Result
9.39
AAA (Trk) / aa
Stable

Halk GYO's areas of compliance, non-compliance and those needing improvement in the Stakeholders section are summarized in the table below:

**Synopsis Table -
 (Stakeholders)**

Plug-Compatible	
1	Having a functional human resources department and giving priority to principle of equality in activities
2	Safe working environment and conditions for the employees.
3	Utmost care to protect the rights of all stakeholders regulated under the legislation and mutual contracts in their transactions and operations
4	Establishment of a comprehensive and publicly disclosed set of ethical rules
5	Establishing necessary mechanisms for stakeholders to report illegal transactions. Stakeholders are given opportunity to securely inform the Corporate Governance Committee or Audit Committee of illegal and unethical activities
Not Compatible	
1	Absence of a special compensation policy for employees
Partially Compatible	
1	Absence of a model of supporting stakeholders' participation in company management in the articles of association despite partially included in the internal regulations of the Company.

The stakeholders' main section is composed of 5 subsections. The compliance level of the Company with and the activities conducted for the standards under these subsections are detailed below:

4.1- Company's Stakeholders Policy

Halk GYO has many stakeholders such as customers, personnels and other suppliers. The framework of contracts made with these stakeholders have been determined in accordance with the relevant regulations in the frame of "Code of Ethics".

The Company pays enough attention to carry out effective, regular, continuous and safe communication with all stakeholders via the internal channels of communication, the Public Disclosure Platform, press bulletins, annual reports and the Company's website. The relationships with

stakeholders are conducted in accordance with the terms set out in these agreements and regulations.

4 annual reports, 4 press releases and 61 special case announcements were made during 2019 by Company in order to inform the stakeholders.

The Company has appropriate internal channels to report the activities found to be illegal and unethical to the Corporate Governance Committee and the Audit Committee.

It is believed that the Company conducts its role of a moderator at a level sufficient to solve problems impartially through settlement in the resolution of conflicts of interest and disputes arising between the various stakeholder groups.

4.2- Supporting the Stakeholders for Participation in the Governance of the Company

There is no member representing stakeholders in the Company's Board of Directors. However, the representation of staff and other stakeholders in the Board is not an observed practice in Turkey. This is also valid for Halk GYO. The most common practice on this issue is to obtain stakeholders' ideas in making decisions concerning them.

Information, demands and questions of stakeholders regarding the company activities are collected by Investor Relations Department via contact information available on the web site. Then evaluated and as a result feedback is provided as soon as possible.

As a result, it has been considered that efforts are spread to include the views of stakeholders, primarily employees and customers, in the decision-making processes and participation in company management. On the other hand, despite the absence of a model of supporting stakeholders' participation in company management in the articles of association, partially included in the internal regulations of the Company.

4.3- The Company's Human Resources Policy

Halk GYO has established a separate Human Resources Department and implemented contemporary practices based on a comprehensive human resources policy. Recruitment, assignment, promotion, monetary arrangements, social benefits and dismissal are presented to the employees in the Company Human Resources Regulation and policy. The duties and responsibilities of personnel have been defined in a clear and transparent manner in job descriptions.

All rights of each of the employees are legally protected under the Labor Code and the Code of Ethics, and all grounds are established for them to work in a safe and healthy environment. Personnel have been informed on the issues of health and security in the workplace in accordance with an appropriate plan, with measures that have been put in place to prevent possible accidents and provide preventive health advice. We have reached the opinion that the Company took the necessary set of measures in order to ensure a secure working environment for all personnel.

Approximately 90% of the employees hold qualifications equivalent to degree level and above. Taking the general staff profile into consideration, Halk GYO can be assessed as a Company with well-educated staff. 67% of the staff is composed of men.

There is no collective agreement in the Company and the company does not follow a policy that restricts the right to establish an association. The Company does not have a special compensation policy for employees apart from legal compensations stipulated by laws and regulations.

As a general assessment, no finding has been observed evidencing any discrimination on the bases of religion, race or sex among the staff in terms of recruitment, promotion, dismissal, educational facilities and performance evaluation. There are no complaints from employees regarding discrimination during the period.

4.4- Relations with Creditors, Customers and Suppliers

For the services offered to its customers, it invariably gives priority to customer satisfaction and does its best to solve their problems and complaints.

Service providers such as appraisal Companies, independent audit firm, rating agencies, advertising agencies etc. offer services to the Company in specialized areas. The relations with these firms are realized through framework contracts.

The demands of the customers regarding the goods and services purchased are met in a time manner and the customers are informed in case of delay.

Trade secrets and inside information of customers and suppliers are secured by the Company as its own ones. There are provisions in the ethical rules and staff regulations regarding this and the IT department takes measures to prevent unauthorized access to this information in the electronic environment.

4.5- Code of Ethics and Corporate Social Responsibility

Halk GYO has a set of ethical rules submitted for approval of the Board of Directors and disclosed to the public since 2010. Besides, the Company has implemented the Ethical Principles of Türkiye Halk Bankası A.Ş. since 2016 and published these principles under the title "Ethical Principles" in the website. This document is intended to regulate relations with all internal and external stakeholders which are categorized as employees, shareholders, customers and the institutions. The implementation of ethical principles with which all personnel are required to comply are assessed in accordance with the Discipline Directive.

The Company does not have a corporate social responsibility report. On the other hand, currently, the Company carries out activities regarding the sustainability report that will be shared with the public as an annex with the 2020 year-end annual report.

The Company, gives priority to activities without any potential of significant harmful effects to the environment. Therefore, no warning or penalties was inflicted upon the Company by public authorities on these grounds.

Halk GYO established a donation policy and announced publicly on the website. In this respect, the Company sponsored the Osman Öksüz park renewal works in 2019. The aggregate amount of donations by the Company amounted to TRY 625,000 which has been presented to its shareholders in the Annual General Meeting of 2019.

Outlook

JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Company will maintain its level of compliance in the Stakeholders main section. For this reason, the outlook for this section has been determined as “Stable”.

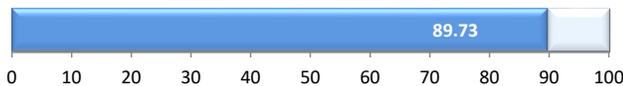
5. Board of Directors

The content of this section consists of the board functions, qualifications, duties, powers and responsibilities of its members and senior management and rules and practices related to systems are established for effective supervision and control.

Through the analyses of JCR Eurasia Rating’s original methodology, the compliance level of the Company’s practices in the field of Board of Directors with Corporate Governance Principles has been determined as below:

- Numerical value is **8.97**,
- Convergence Level **AAA(Trk)** representing the category of “**Distinctive Compliance**”,
- Notch degree **(a)** representing the category of “**Excellent**”,
- Outlook (**Stable**)

Board of Directors Score %



Board of Directors Result

8.97

AAA (Trk) / a

Stable

Halk GYO’s areas of compliance, non-compliance and aspects to be improved by the Company for full compliance with the rules and implementations of the Board of Directors section are summarized in the table below:

Synopsis Table - (Board of Directors)

Plug-Compatible

1	Vision and mission of the Company defined and disclosed to public
2	Effective and qualified members of Board of Directors
4	Separation of the roles of Chairman and the CEO The presence of Audit, Corporate Governance,
5	Remuneration and Early Detection of Risk Committees within scope of the Board of Directors. Well established committee structure with clearly
6	defined responsibilities and independent status of committee chairs
7	Presence of a Remuneration Policy for the Board members and top managers.

Not Compatible

1	No woman member in the Board of Directors
2	Lack of improving the incentive system based on performance evaluation for the Board Members. Currently, presence of two independent Board Members out of total of seven members, not meeting
3	the criteria concerning the number of independent members which states a ratio of at least more than one-third, necessitating 3 independent members.

Partially Compatible

1	Non-disclosure of remuneration on an individual basis for board members and top managers but disclosure a whole Absence of an efficient secretariat serving the Board
2	but Investor Relations Department carry out the related service Liability insurance coverage for Board Members and
3	top managers below the threshold %25 of Company’s capital as per regulations

The Board of Directors section is composed of 6 subsections. The Company's compliance level and activities conducted in line with the standards under these subsections are detailed below:

5.1- Basic Functions of the Board

The vision and mission set by the Board have been disclosed to public. The Company has determined basic strategies, policies and annual plans to achieve the stated vision & mission.

The Company is managed by the Board of Directors and the powers and responsibilities of the Board Members are regulated in the Company's Articles of Association. The Board of Halk GYO has the necessary qualifications to effectively perform the three basic functions of leadership, supervision and arbitration. The Board performs the oversight function through the Audit Committee whilst the Corporate Governance Committee enables the Board to supervise the Company as a whole. These committees carry out activities in accordance with written working principles, produce regular reports, and submit them to the Board of Directors.

It has also been determined that the Board performs its independent arbitration role with success for the resolution of disputes and conflicts of interest of stakeholders among themselves and with the Company.

5.2- Working Principles of the Board of Directors

Tasks, authorities and responsibilities of the Board of Directors and its working procedures are primarily specified in the Articles of Association. The responsibilities of each member have been defined and presented to the public via the annual report. It is assessed that Board members act as prudent managers in performing their duties. Regarding the organization of the Company, it is understood that there is not a single person with unlimited authority to make decisions in the Company.

The Investor Relations Department instead of a proper secretariat service, is actively involved in organizing board meetings, preparing the necessary reports and documentation, and preparing and registering board

decisions, ensuring information flow and coordination among members, and similar issues.

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member, whenever and as often as required by the Company's business and related legislation.

The roles of Chairman of the Board of Directors and General Manager are carried out by different individuals with clearly defined sets of duties and responsibilities and this distinction is expressed as written in the articles of association.

The Company has a Directors' Liability Insurance Scheme, with a share of less than %25 of Company capital, which covers the Board of Directors' personal responsibilities and the mistakes they may make while carrying out their tasks.

The risk management, internal control and audit systems are organized in accordance with the international practices, principles and organization framework and Risk management and internal control operations of Company are conducted by the "Department of Internal Audit & Risk and Compliance" in order to ensure a high degree of compliance with the appropriate regulations. Internal Audit actions are conducted within the framework of approved "Annual Audit Plan" by Audit Committee during the year. Information of the existence, functioning and effectiveness of internal controls and internal audit is reported in the annual report.

The Company's internal control systems are generated by considering the opinion of the relevant Board of Directors committees including information systems and processes as well as risk management systems, which ensure to minimize the impact of risks that have the potential to affect the Company's stakeholders, particularly its shareholders.

It has been reported that activities revolving around the internal control system and risk management function are reviewed annually and revised accordingly on a regular basis.

5.3- Structure of the Board of Directors

The Board of Directors is comprised of 7 members including two independent, and one executive member also serves as the General Manager. Despite the presence of two independent board members, currently not meeting the criteria of number of independent members that cannot be less than one third of the total number of member as expressed in the Code. On the other hand, the Company stated to comply with the Code in the following general meeting. It has been determined that the members meet the minimum qualifications expressed in the principles. The resumes of BoD were included in the website and annual reports.

The Corporate Governance Committee submits reports on whether candidates meet the criteria for independency to the Board of Directors. Declarations of independence of independent members were stated in 2019 year-end annual report and there was no situation removing the independence of the Board of Directors during 2019.

There is no female member currently serving on the Board, thus the Company does not meet the suggested 25% female ratio mentioned in the Code and the Company does not have any policy determining target rate and time providing that the rate of woman members are not less than 25% in the Board of Directors.

5.4- Rules of the Board Meetings

Board meetings, the working principles of which have been laid out in a written form, are held at times deemed necessary for the Company's business, upon the invitation of the Chairman or Vice Chairman. The Investor Relations Department is actively involved in organizing board meeting and meeting agendas, and relevant information are presented to the members in a reasonable time frame prior to the meeting. Meetings of the Board of Directors can be realized in physical and / or electronic environment. The Company's Board of Directors met 43 times during the period and 61 decisions were taken at these meetings. The Board resolution book is maintained properly, includes dissenting opinions, if any.

Meeting agendas are determined by the Chairman with the suggestions of Company management and the CEO. Meeting and decision quorums have been written in the articles of association. According to the articles, the quorum for the meeting is the majority of members and the Board makes decisions with affirmative votes from the majority of attending members. Items are voted on separately according to democratic rules and each member has only one vote.

There are no limitations in place for Board members to carry out external duties according to the internal regulations and the provisions of the Turkish Commercial Code regarding the prohibition of competition are complied with.

5.5- Committees within the Scope of the Board

Four committees, Audit, Corporate Governance, Early Detection of Risk and Remuneration have been established within in the scope of the Board. Due to the inexistence of the Nomination Committee under the Board, the functions of this committee are assigned to the Corporate Governance Committee. Each committee's tasks, authorities and operational procedures were put into writing, the members were informed and disclosed to public via Company web site and annual report.

During 2019, following the general assembly meeting, in accordance with the Corporate Governance Communiqué of the Capital Markets Board; task distributions and committee elections were held within the board of directors and announced to the public.

Audit Committee consists of two independent board members while the chairmen of other committees elected from among independent board members. General Manager and Chairman of the Board of Directors does not hold any position in the committees.

The Audit Committee, consisting of 2 independent members, plays an active role in the selection of the independent audit firm, reviewing all other aspects of the independent auditors' activities, works in such subjects of publicly disclosing the Company's financial statements, conducting the necessary relations and monitoring internal

audit activities. Committee members gather at 8 times during 2019 and took 4 decisions. The definitions of rules and responsibility, working principles, and activities of the committee are in accordance with the Code.

Early Detection of Risk Committee has been established to early detect the threatening risks upon Company's existence, development and survival, to take the necessary provisions for identified risks, to manage and supervise the risk management systems. Committee members gather at 6 times during 2019 and took 6 decisions.

The Corporate Governance Committee consists of three members and was established to monitor Company's compliance with the Code and improve activities conducted within this field. Additionally, the Committee follows the Company's investor relations activities and strategies and it provides that the Board of Directors is kept regularly informed about such issue and also gets into the acts in such areas as providing coordination among other committees and backing up their activities if necessary. The definitions of rules and responsibility, working principles and activities of the committee are in accordance with the Code. Committee members gather at 4 times during 2019 and took 4 decisions.

The Remuneration Committee is composed of two members of the Board of Directors and chaired by an independent member. This Committee effectively carries out its activities within the scope of monitoring, auditing and reporting the compensation practices on behalf of the Board of Directors. Committee members gather at 2 times during 2019 and took 2 decisions.

5.6- Financial Rights Provided to the Board Members and Executives

Halk GYO has a written remuneration policy and is disclosed to the public via the website. A Remuneration Committee has been established under the Board of Directors, consisting of 2 members and chaired by an independent member. Remunerations to be paid to the members of the Board of Directors are determined by the decision of the General Assembly in line with the proposal of the Remuneration Committee. The committee complies

with the Code regarding the definition of duties, working principles and its activities.

There is no performance-based remuneration for independent board members and no stock options or payment schemes based on the performance of the company are used in accordance with the Corporate Governance Principles. While determining the pay levels of the independent members of the board of directors, the level that protects the independence of the member are considered.

The Company does not provide debt nor extend credit to board members as well as not providing any guarantees on their behalf. On the other hand, although the total sum of Board members' and top managers' remuneration are disclosed to the public via annual and financial reports, the lack of disclosure on an individual level creates incompliance with the Corporate Governance Principles, although such practice in Turkey is very rare.

Outlook

JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Company will maintain its level of compliance in the Board of Directors main section. For this reason, the outlook for this section has been determined as **"Stable"**.

TABLE: 1

SHAREHOLDING STRUCTURE					
Years	2016	2017	2018	2019	2020
Paid Capital (000TRY)	790,000	820,000	858,000	928,000	970,000
Shareholders					
Halkbank*	70.38	70.38	70.38	70.38	70.38
Halkbank	1.58	1.58	1.58	1.58	1.58
Listed	28.00	28.00	28.00	28.00	28.00
Halk Yatırım Menkul Değerler A.Ş.	0.04	0.04	0.04	0.04	0.04
Halk Finansal Kiralama A.Ş.	<0.01	<0.01	<0.01	<0.01	<0.01
Total	100	100	100	100	100

**As of FY2020 Türkiye Halk Bankası A.Ş. has 71,434,390.375 publicly traded nominal shares, whereas Halk GYO A.Ş. has 27,346,398.639 nominal shares*

TABLE: 2				
Joint Ventures as of FY2020				
Company Name	Headquarters	Fields of Activities	Interest Share %	Acquisition Date
Halk GYO-Vakıf GYO Adi Ortaklığı	Turkey	Real Estate Construction	50	2014
Halk GYO-Erkonut Adi Ortaklığı	Turkey	Real Estate Construction	50	2016
Teknik Yapı-Halk GYO Adi Ortaklığı	Turkey	Real Estate Construction	50	2017
Subsidiary as of FY2020				
Company Name	Headquarters	Fields of Activities	Interest Share %	Acquisition Date
Halk Yapı Projeleri Geliştirme A.Ş.	Turkey	Real Estate Construction	100	2020

TABLE: 3

BOARD OF DIRECTORS

Name	Task	Expertise	Date Elected	Experience (Year)	Education	Executive/Non-Executive	Independent/Non-Independent	Committee Membership
Ergin Kaya	Chairman	Banker	24.06.2020	32	Bachelor's Degree	Non-Executive	Non-Independent	-
Mehmet Tanrıverdi	Deputy Chairman	Banker	6.09.2018	17	Bachelor's Degree	Non-Executive	Non-Independent	Remuneration Committee
Ali Cebeci	Member	Banker	21.02.2019	25	Bachelor's Degree	Non-Executive	Non-Independent	Early Detection of Risk Committee
Mehmet Hakan Tercan	Member	Electrical and Electronics Engineering	16.04.2020	28	Bachelor's Degree	Non-Executive	Non-Independent	Corporate Governance Committee
Raci Kaptan Kolaylı	Member	Civil Engineer	24.06.2020	30	Bachelor's Degree	Non-Executive	Independent	Audit Committee, Corporate Governance Committee Chairperson
Memduh Yılmazlar	Member	Banker	24.06.2020	28	Bachelor's Degree	Non-Executive	Independent	Audit Committee Chairperson, Early Detection of Risk Committee Chairman, Remuneration Committee Chairman
Bülent Karan	Member/ General Manager	Petroleum Engineering	4.08.2020	29	Master Degree	Executive	Non-Independent	-

Rating Info

Rated Company:	Halk Gayrimenkul Yatırım Ortaklığı A.Ş. Şerifali Çiftliği Tatlısu Mahallesi Ertuğrulgazi Sokak No:1 34774 Yukarı Dudullu - Ümraniye / İSTANBUL Telephone: 0216 600 10 00 - 0216 600 10 29
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