

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

İş REIT espoused the four main elements of Corporate Governance Principles, which are Fairness, Transparency, Accountability and Responsibility, and observes compliance with them in its activities. Our company closely monitors the development of the Corporate Governance practices both in the world and in our country, and believes in the necessity to achieve compliance with these principles in order to maintain successful business practices and to generate long-lasting added value to investors.

Our company adheres to all of the Corporate Governance Principles that are compulsory to be implemented, and takes maximum care to adhere to optional principles. Optional corporate governance principles are addressed under the relevant headings in the following sections. There were no conflicts of interest that arose during the reporting period on account of non-implementation of optional principles.

Our company exercises the necessary sensitivity for compliance with Corporate Governance Principles, and established the Corporate Governance Committee in 2007. The Committee's primary duties include monitoring compliance with corporate governance principles, undertaking improvements in these areas, and presenting recommendations to the Board of Directors. The Committee follows up the Capital Market legislation, in particular, as well as other applicable legislation, regularly reviews the Company's corporate governance practices, constantly identifies improvement areas, and continually improves the Company's corporate governance system through new implementations enforced.

During the reporting period, the need arose to amend certain articles of the Company's articles of association within the frame of the Corporate Governance Principles that became mandatory to be implemented under the Communiqué on the Determination and Implementation of Corporate Governance Principles. Necessary permission for amending the articles of association has been received with the Capital markets Board letter no. 3300, dated 20 March 2012, and the T.R. Ministry of Customs and Trade, Directorate General of Domestic Trade letter no. 2095 dated 21 March 2012. The approved amendment text for the articles of association were made available for the information and review of shareholders on the Public Disclosure Platform (in Turkish: KAP) and the Company's website. The amendment text was also translated into English, and posted on the Company's website to inform the foreign investors on the subject. Detailed information on the grounds of the amendment was presented to the shareholders at the General Meeting and the amendment text that was accepted was registered on 5 April 2012 and promulgated in the Turkish Trade Registry Gazette dated 11 April 2012.

Believing that it has arrived at an important level in corporate governance practices and wishing to share this fact particularly with shareholders and all other stakeholders, our company decided to obtain corporate governance rating service from JCR Eurasia Rating for the rating of the company's compliance with corporate governance principles in 2012. Following the rating process, JCR Eurasia assigned our company's compliance with the CMB Corporate Governance Principles a rating of 8.53 along with a positive outlook. The company's compliance levels in each of the four main sections are as follows: Shareholders - 8.66, Disclosure and Transparency - 8.89, Stakeholders - 7.91, Board of Directors 8.26.

The internationally recognized score corresponds to AAA (Distinctive) according to the rating agency's notation, and indicates that our Company achieved high level of compliance with corporate governance principles. On the other hand, our company has been included in the ISE's "Corporate Governance Index" from 28 December 2012 based on the rating received. The Rating report issued by JCR Eurasia is posted on the company website in the "Investor Relations" section, under the heading "Corporate Governance".

The company's Corporate Governance Principles Compliance report is available on the company website in the "Investor Relations" section, under the heading "Corporate Governance".

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

The company's "Shareholder Relations Unit" has been active since 28 January 2005 within the frame of the Communiqué Serial: IV No: 41 on Principles to be Followed by Joint Stock Corporations subject to Capital Market Law. This unit is managed by a senior-level company officer who is also responsible for ensuring that the company fulfills the obligations incumbent upon it under the capital

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

market legislation and for coordinating the company's corporate governance activities. The company's Shareholder Relations Unit operates under the name "Investor Relations and Corporate Governance" within the "Investor Relations and Corporate Governance, Risk Management and Internal Control Group". Contact details for the unit are presented below:

Contact Person	Phone Number	E-mail Address
Ayşegül Şahin Kocameşe Group Head	0212-325 23 50 Ext: 204	aysegul.sahin@isgyo.com.tr
Mine Kurt Yıldırım Supervisor	0212-325 23 50 Ext: 270	mine.kurt@isgyo.com.tr
Begüm Olgaç Assistant Specialist	0212-325 23 50 Ext: 271	begum.olgac@isgyo.com.tr

Shareholder Relations Unit is also responsible for the consistent and effective management of the exercise of shareholders' rights, for public disclosure and provision of company-related information, and for overseeing matters related to the conduct of general meetings and share capital increases. The company continued to attract the attention of domestic and international investors in 2012. During the reporting period, the company engaged in talks with more than 100 representatives of Turkish and foreign investment companies during meetings conducted at its own headquarters. It also took part in investor conferences and roadshows organized in Turkey and in other countries. Besides meetings with investors at its headquarters and abroad, company representatives also took part in teleconferences and went on tours that made presentations about the properties in the İş REIT portfolio. The majority of firms met with during the reporting period consisted of foreign brokerages' and asset management companies' analysts and fund managers, and the analysts and fund managers of domestic investors. During the year, the Shareholder Relations Unit received about 200 requests for information, many of them by email. About 80% of all requests for information were received from institutional investors; the remaining 20% consisted of queries from others about a variety of matters. The questions raised at investor meetings and the queries directed to the Shareholder Relations Unit generally deal with such issues as real estate projects' timetables and potential returns, the company's future investment strategies, its financing policies and revenue and expenditure projections, its financial statements, its rental earnings, and its dividend policy. In addition to investors' queries, the Unit also responds to information requests and surveys sent within the scope of research conducted by universities and various public institutions, as well as detailed information requests received from brokerages at the time of company coverage report preparation, thus supporting the activities of such institutions.

In addition, the Shareholder Relations Unit, which actively works for providing the communication between shareholders and the Company, attends the meetings of the Corporate Governance Committee to provide advisory opinions, gives information on its activities to the Committee, and takes active part in the improvement of corporate governance practices, as well as in the rating process.

Aiming to maximize the communication between the investors community and the Board of Directors, the Unit periodically reports its activities to the Board of Directors; these reports detail the important opinions and recommendations of investors, and the comments and assessments of brokerage firms about the Company.

3. Exercise of Shareholders' Right to Obtain Information

İş REIT's Disclosure Policy is based on transparency and fairness, and the company adheres to İş REIT Code of Ethics, which has been in place since 2003, in all of its public disclosure activities, and treats every shareholder equally, irrespective of the value of shares held thereby.

Shareholders request information by directly contacting the Shareholder Relations Unit employees, or by sending an email either to the Unit's email address or using the communication form available on the website.

During the reporting period, comprehensive information requests and queries received from any number of local, foreign, individual or institutional investors have been responded to in a multi-faceted and detailed manner, observing particularly the legislation and the company's Disclosure Policy, as well as all other considerations relating to public disclosure. Necessary records in relation to written

and oral information requests and the responses provided to them are regularly kept by the Shareholder Relations Unit. Besides the information requests received by the Company, the reports prepared and bulletins published by brokerages about the Company are also regularly followed up.

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, as well as the balance sheet and income statement drawn up within the scope of financial statements, along with material event disclosures made through the Public Disclosure Platform (KAP) are prepared in Turkish and English and posted on the corporate website the same day. Furthermore, updatable parts of the Company website are updated in line with current changes. Thereby, accurate and up-to-date information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

Moreover, under a service contract entered into with Foreks Bilgi İletişim A.Ş., investors have access to share performance as well as to material event disclosures via a link on the home page.

Care is taken to publish announcements about the Company's activities, which will take place in the press, in national editions of newspapers with high circulation numbers. In addition, news and documents concerning ordinary and extraordinary General Assemblies of Shareholders are also posted on the corporate website.

Requests to appoint a special auditor have not been stipulated as an individual right in the company's articles of association. During the reporting period, our company did not receive any requests for the appointment of a special auditor.

4. Information About General Assembly

The Annual General Assembly of Shareholders for 2011 convened on 28 March 2012 with 61.35% attendance, of which 55.62% were acting in person and 5.73% were acting as proxies. Besides the shareholders, all members of the Board of Directors and of the Board of Auditors participated in the meeting, as well as officials from the independent audit firm to give information about the company's financial statements and the audited period, and company employees. Although the company's articles of association contain no provisions precluding the media from attending the general assembly, no members of the media attended the general assembly convened.

The General Assembly was conducted according to the Corporate Governance Principles and the provisions of the Turkish Commercial Code (TCC); in addition, the invitations, agenda and proxy form samples in relation to the meeting were published in two national newspapers and related information was provided on the website. In order to ensure that both Turkish and foreign investors were informed about meeting matters in advance, a "General Assembly Informative Document" was prepared in Turkish and English. This document, as well as the proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors along with the invitation were all published on the company website. The 2011 Annual Report was made available at the company's headquarters and on the website for investor review 21 days before the meeting date.

When preparing the agenda, the Board of Directors pays attention to take into consideration the matters communicated in writing by shareholders to the company's Shareholder Relations Unit for their incorporation in the agenda. At the time the agenda for the 2011 Annual General Assembly was being prepared, no such requests have been received by the Company.

Pursuant to Corporate Governance Principles, the company publicly disclosed the finalized independent board member nominees in a material event disclosure, and their résumés were included in the "General Assembly Informative Document", thus allowing shareholders to have information about board member nominees in advance.

In order to facilitate participation of shareholders in the General Assembly meeting, due care was taken to hold the meeting in a place where majority of shareholders reside and to ensure that the right to participate in the meeting is exercised within the frame of the relevant regulations of the Ministry of Customs and Trade.

Pursuant to Corporate Governance Principles, prior to the meeting, shareholders were informed on the number of total votes that may be cast at the General Assembly, the privileges they incorporate, and the voting procedure.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

At every stage of the meeting, shareholders are allowed to raise questions, advance proposals and even take the floor. All questions are answered and all proposals are given consideration as well. Since no questions or proposals were presented at the Annual General Assembly of Shareholders this year, these matters were not mentioned in the meeting minutes. Furthermore, all oral and written queries from the shareholders about the company during the reporting period were answered prior to and after the General Assembly of Shareholders within the scope of the company Disclosure Policy.

Following the General Assembly meeting, meeting minutes and the attendance sheet were made available for the shareholders' information on the corporate website under the heading "General Meetings" in the "Investor Relations" section and were also sent to those who requested it.

The company's Donations Directive that set out the principles and procedures for donations to be made by the Company was drawn up in December 2006 and presented for the information of our shareholders in the General Assembly held in 2007. To achieve compliance with the related principle of Corporate Governance Principles, the company has prepared the Company Donations Policy in parallel with the Donations Directive that is currently in force, and submitted the same for the approval of the General Assembly and provided information about the donations made in 2011.

The Company did not make any donations in 2012. This matter is informed to the General Assembly pursuant to the corporate governance principle numbered 1.3.11 and to Article 7 of the CMB Communiqué Serial: IV No:27.

According to the New Turkish Commercial Code enforced, general assembly meetings must be held in electronic environment. During the reporting period, the Ministry of Customs and Trade also published communiqués and regulations on this matter. Shareholder Relations Unit carefully follows up the relevant legislation and regulations in order to hold the general assembly meeting for 2012 electronically, and continues with preparations for electronic general meetings.

The General Assembly did not convene extraordinarily during the reporting period.

5. Voting Rights and Minority Rights

The Company's capital is divided into 600,000,000 shares, which are made up of Class A shares that correspond to TL 857,142.85 and Class B shares that correspond to TL 599,142,857.15. Class A shareholders have the privilege of nominating candidates to the election for membership to the Board of Directors. One member of the Board of Directors is elected from among the candidates nominated by Class B shareholders, with all of the remaining members being elected from among the ones nominated by Class A shareholders. Candidates for the Board of Directors nominated by the parent company are presented for the information of the shareholders during the General Assembly and are appointed by the decision adopted in the General Assembly.

Article 16 of the CMB Communiqué Serial: VI No: 11 on the Principles Regarding Real Estate Investment Trusts sets out that real estate investment trusts may issue shares that grant the privilege to nominate candidates to election of board of directors membership. REITs are not allowed to issue any securities that grant privileges other than the one to nominate candidates to the election of board of directors membership. Accordingly, the Company's articles of association contain no privileges regarding voting.

Minority shareholders are not represented in the Company's administration. The articles of association do not contain any provisions regarding minority rights.

6. Dividend Policy and Dividend Distribution Timing

During the reporting period, a new provision was supplemented to the Company's dividend policy, which does not alter the main elements and substance of the said policy; information will be provided to the shareholders in the General Assembly about the said change and grounds therefor.

The current Dividend Policy of the company is presented below:

The dividend distribution proposal of the Board of Directors is discussed at the General Assembly and it is decided whether to pay out dividends, as well as its manner and timing.

The company's articles of association stipulate that first dividends in the rate and amount determined by the CMB are to be distributed from the distributable profit.

The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, while keeping a close eye on:

- maintaining the delicate balance between shareholders' expectations and the company's need to grow,
- the company's profitability.

There are no privileges regarding distribution of profit, and dividend distribution is carried out within the legally prescribed period of time.

In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, included in the annual report, and disclosed publicly.

The company's current Dividend Policy is contained in the annual report and posted on the company website under "Policies" under the heading "Corporate Governance" in the "Investor Relations" section.

At the Annual General Assembly for 2011 fiscal year, it was decided to distribute cash dividends in the amount of TL 30,000,000 to shareholders so that TL 0.05 (gross=net) (5%) dividend will correspond to each share with a nominal value of TL 1. Dividend distribution began on 29 March 2012 and was completed on 2 April 2012.

7. Transfer of Shares

The Company's articles of association do not contain any provisions restricting the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The Company Disclosure Policy was first prepared in 2005 pursuant to Article 43(ğ) of the CMB Communiqué Serial: VI No: 11 on the Principles Regarding Real Estate Investment Trusts. The policy was revised in 2009 in view of the CMB Communiqué Serial: VIII No: 54 and the "Material Event Disclosures Guidelines" prepared thereunder. The changes in the said Policy and the revised Policy were publicly disclosed via a material event disclosure, and presented at the General Assembly convened for the year 2009. The Company's Disclosure Policy is posted on the Company website under "Policies" under the heading "Corporate Governance" in the "Investor Relations" section.

The company Disclosure Policy is based on transparency and fairness, and İş REIT Code of Ethics that has been in place since 2003 is adhered to in any public disclosure activity. The Policy aims to inform the public timely, accurately and efficiently by ensuring maximum compliance with the Corporate Governance Principles published by the CMB, as well as with Capital Market legislation and other applicable regulations.

The company's Disclosure Policy has been devised by the Board of Directors, which bears the responsibility and authority for monitoring, overseeing and improving the Policy.

The principles covered in the company's Disclosure Policy are adhered to in responding to the information requests received by the company and in any activity that falls under the scope of public disclosure. It is the basic principle to disclose the assumptions and the underlying data when publicly disclosing forward-looking information, and to update the public when the assumptions involved in forward-looking information do not materialize or when it is understood that they will not materialize.

Material event disclosures made during the reporting period were publicly disclosed via the "Public Disclosure Platform" in a manner to help with the decision-making of the individuals and institutions that will make use of the disclosure in an accurate, complete,

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

intelligible, interpretable manner, easily accessible at low-cost, and were also posted in Turkish and in English on the Company website the same day. Pursuant to Article 22/4 of the CMB Communiqué Serial: VIII No: 54 on Principles Regarding Public Disclosure of Material Events and in accordance with the decision of the Board of Directors, the individuals who are named in the list of authorized signatures to represent and bind the company are designated as individuals responsible for making material event disclosures.

Furthermore, the company makes use of the "e-Governance: Corporate Governance and Investor Relations Portal" of the Central Registry Agency (in Turkish: MKK) for provision of information to shareholders efficiently and accurately.

9. Company Internet Site and Its Content

The company has its own website accessible at www.isgyo.com.tr. The website covers the matters specified in the Corporate Governance Principles. The website is also prepared in English for use by foreign investors. Both the Turkish and English versions of the website are constantly updated to better inform the investors.

Furthermore, the service provided by Foreks Bilgi İletişim A.Ş. provides the investors with access to share performance, as well as to material event disclosures via a link on the home page."

10. Annual Reports

The company's annual reports are prepared in the content that will give the public opinion access to accurate and complete information about the company's activities within the frame of Corporate Governance Principles, as well as other Capital Market regulations and applicable regulation of the Ministry of Customs and Trade.

PART III - STAKEHOLDERS

11. Keeping Stakeholders Informed

Open and honest communication channels have been established with company employees and other stakeholders, with attention paid to ensure that all stakeholders are kept informed about issues that concern them.

The company pays due attention to protect the rights of stakeholders regulated by legislation and mutual contracts in its activities and transactions. In addition, the rights of all stakeholders are protected within the frame of the Code of Ethics published by the Board of Directors.

The company takes care to always cooperate with partners that espouse its Code of Ethics. In the professional relationships with customers, honesty and fairness are observed, reliability of agreements is upheld, and commitments are fulfilled in a timely manner. The company attaches importance to building relationships with suppliers upon long-lasting trust.

The sanctions applicable to company employees with respect to adherence to Code of Ethics take place in internal guidelines. Company employees can convey any transaction that contradicts with the legislation and are ethically inappropriate to the Audit Unit. There is no special mechanism devised for conveyance of similar transactions by other stakeholders to the Audit Unit.

12. Stakeholder Participation in Management

Keeping all lines of communication open and eliminating all possible encumbrances is a fundamental principle regarding participation of company employees in management. There is no formal model established for direct participation of other stakeholders in management.

In keeping with this principle and as stated in the company's Code of Ethics, the company "Workplace Policy" is set out and updated in view of employees' needs through constant communication with them. Internal meetings are held, which are attended by company employees when necessary, and they play a significant role in the decision-making process of senior management.

Expectations and demands from all stakeholders involved with the company are addressed on the basis of Code of Ethics and resolved through mutual communication. Contractual and other demands, requests and problems of real and legal persons, which the

Company is dealing with in relation to rental agreements, are forwarded to the company's relevant committees through the Corporate Communications and Marketing Department, and solution-oriented suggestions are discussed and decided on by these committees.

13. Human Resources Policy

The main objective of the company is to recruit qualified personnel in order to carry out company activities in the most effective manner and to ensure employee motivation so as to maintain constant success, as well as continuously improve financial and social rights of employees, create a fair and professional work environment and determine the training needs of personnel.

In line with the objectives and strategies stated in the company's Human Resources Policy, the company aims to create a shared Corporate Culture by recruiting the human resource that espouses the same values with the company, and seeks to create competitive advantage by conducting the necessary training, development and cultivation activities.

Matters such as employment conditions, career path and advancement requirements, monetary arrangements and fringe benefits are clearly detailed in the company's Personnel Regulation for the information of employees. The Human Resources and Education Department carries out all decisions made in relation to the employees within the scope of the said regulation.

The company employs an "Open Door Policy" and establishes all necessary platforms for the most efficient use of communication tools. Accordingly, a specific person has not been appointed as a representative to carry out the relations with employees.

Employees are expected to embrace the performance-driven management concept and recognize that their individual involvement will contribute to customers and shareholders. Employees who target to add value to their respective jobs are backed by the Human Resources and Education Department, and position themselves, gain access to self-development and manage their career objectives along with their managers.

The personal honor of each employee and all of their legally-recognized rights are protected within the framework of the company's Code of Ethics. All necessary measures have been taken to ensure a safe and healthy work environment.

During the reporting period, the Human Resources and Education Department received no complaints on account of discrimination.

14. Code of Ethics and Social Responsibility

The Code of Ethics was devised by the Board of Directors in 2003 under the headings "Shareholders", "Operating Standards", "Employees" and "Customers-Suppliers-Shareholders", posted on the Company website and publicly disclosed. The Code of Ethics can be accessed on the company website under the "Corporate Governance" heading in the "Investor Relations" section.

While headed towards generating high returns for its shareholders, which is a key objective, the company also carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility concept.

The company supports many artistic and sports activities, in addition to the sector's initiatives conducted along this line. The activities directed towards helping the young generation gain industry experience and towards enriching them socially fully correspond to our corporate mission that places the human factor in its focal point.

The company extends support gratuitously to projects undertaken in subjects that fall under social responsibility, including education, health, law, scientific research, environmental protection, sports, culture and the arts. Committed to shaping its approaches, values and policies consistently within the frame of social responsibility, the company will carry on with its activities in this direction and will continue with its support in the years ahead.

İş REIT complies with legal and environmental values in all of its activities, and exercises due diligence in respect to social responsibility. No lawsuits were filed against the Company on account of any harm done to the environment during the reporting period.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Acting upon the conviction that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İŞ REIT continued to support the sector's development and social solidarity as well as the arts and sports in 2012.

İŞ REIT sponsored Konak Municipality Women's Football Team, which competes in the Turkish Football Federation Women's Premier League and qualified for the Turkey Championships. The company has assumed sponsorship of the team for 2011-2012 and 2012-2013 seasons in order to take on an active role to assure widespread participation in sports by all demographic segments of society without discriminating between women and men or young and old.

İŞ REIT was the platinum sponsor of the Rotary Institute 2012 held in a different location every year and hosted by İzmir this year on 16-17 November. Participated by Rotarians from countries in the North Africa, Balkans, Caucasus and the Middle East, as well as from Turkey, the event has been very effective for promoting our country and İzmir.

İŞ REIT opens the doors of the shopping centers in its portfolio to associations and foundations working to benefit the public by offering them the opportunity to set up stands and carry out publicity activities free-of-charge. The company extends all necessary cooperation in this area.

PART IV - BOARD OF DIRECTORS

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

Members of the Board of Directors:

Aydın S. Önder, Chairman, Non-executive

M Kemal Fettahoğlu, Vice Chairman, Non-executive

D. Sevdil Yıldırım, Board Member, Non-executive, Independent

Kemal Şahin, Board Member, Non-executive

H. Cemal Karaoğlu, Board Member, Non-executive, Independent

Senior Management:

Turgay Tanes, CEO

The powers and authorities of the members of the Board of Directors are set out in the company's articles of incorporation. The company is managed and externally represented by the Board of Directors. The Board of Directors performs the duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Market Law and other applicable legislation. The Board of Directors is composed of five members, two of which are independent.

Within the frame of Corporate Governance Principles, a Nominating Committee was not set up at the Company, and its functions are fulfilled by the Corporate Governance Committee. Along the line, two independent members were nominated to the Corporate Governance Committee during the reporting period. The Corporate Governance Committee prepared evaluation reports establishing whether the candidates possessed the criteria of independence on 05 March 2012 and 08 March 2012, and submitted them to the Board of Directors on the same dates. The Board of Directors finalized the list of nominees in the light of these evaluations and the finalized list of nominees was publicly disclosed.

During the reporting period, no events took place that compromised the independence of the Board members.

Although there are no set rules on Board members' undertaking other duties outside the company, the external positions held by Board members, their terms of office with the company and distribution of positions are provided in the members' résumés.

Aydın S. Önder

Born in 1962, Aydın Süha Önder received his degree in political sciences and public administration from the Faculty of Economics and Administrative Sciences at the Middle East Technical University in 1985. He began his career on the Board of Inspectors at İşbank in 1986. After serving in managerial positions at the Galata, Avcılar and Karaköy branches of İşbank, Mr. Önder was appointed as the head of Corporate Banking Marketing Division in 2003, as manager of the Levent Branch in 2006 and of the Gebze Corporate Branch in 2007. Serving as Deputy CEO at İşbank since April 2011, Mr. Önder has been the chairman of the Board of Directors of İş REIT since 2011.

M. Kemal Fettahoğlu

Born in 1967, Kemal Fettahoğlu got his degree in economics from the Middle East Technical University in 1990. Having started his career the same year as an assistant specialist in the Strategic Planning Department at İşbank, Mr. Fettahoğlu pursued graduate studies in finance in London in 1997-1998. He worked as the Finance Manager and Capital Markets and Asset Management Manager at Petrol Ofisi from 2000 through 2003. He assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. He has been serving as the head of the Bank's Construction and Real Estate Management Division since 26 October 2011, and as the Company's Board member since 2012. Mr. Fettahoğlu also holds a seat on the Board of Directors of İş-Koray.

Kemal Şahin

Kemal Şahin got his degree in business administration from the Middle East Technical University in 1988, and joined İşbank the same year as an assistant inspector on the Board of Inspectors. Following ten years of service as assistant inspector and inspector on İşbank's Board of Inspectors, he was appointed as assistant manager to the Bank's Subsidiaries Division in 1998. He currently serves as a unit manager for Property Development, Healthcare and Food Industry Companies under the Subsidiaries Department at İşbank. Mr. Şahin also holds seats on the Boards of Directors of İş-Koray, İşmer, Bayek, Antgıda, and Mipaş Mümessillik ve Erişim Müşteri Hizmetleri A.Ş., which are some of the subsidiaries covered by the unit he is in charge of. Functioning as a Board member of İş REIT since 2004, Mr. Şahin is also a member of the Corporate Governance Committee and Committee for Early Detection of Risk.

H. Cemal Karaoğlu

Born in 1965 in İzmir, H. Cemal Karaoğlu got his bachelor's degree in 1987 and his master's degree in 1991 from the Department of Civil Engineering in the Faculty of Engineering at the Middle East Technical University. He started his career under a research program at Imperial College in 1988. He worked as project engineer at Yüksel Proje Uluslararası A.Ş. from 1989 to 1993. He was a board member at Başarı Yatırımlar Sanayi ve Ticaret A.Ş. from 1993 to 2003 and at Yüksel Proje Uluslararası A.Ş. from 2003 to 2008. He functioned as engineer and executive in various fields, including constructional drawings, control services, and investment consultancy. Functioning in the capacity of Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008, he is on the Board of Directors of Başarı Yatırımlar San. ve Ticaret A.Ş. Holding a seat on our Company's Board of Directors since 2010, Mr. Karaoğlu also heads the Committee for Audit and the Committee for Early Detection of Risk.

D. Sevdil Yıldırım

Having received her bachelor's degree in business administration from the Middle East Technical University in 1988, Sevdil Yıldırım got her master's degree in economics from the same university and in business administration from the London Business School. Ms. Yıldırım worked in the Research and Development, Oversight and Enforcement divisions at the Prime Ministry Capital Markets Board from 1988 to 1999. She joined Yapı Kredi Yatırım in March 1999 to set up the International Capital Markets Department, and was promoted to Executive Vice President in 2003. She joined Turkish Yatırım A.Ş. as Assistant General Manager in 2006, transferred to BGC Partners as Assistant General Manager in 2007, and joined Yıldız Holding A.Ş. in 2009 to set up the Corporate Finance and Capital Markets Coordination Department. Having assumed a duty in the incorporation of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., a publicly traded subsidiary of Yıldız Holding, Ms. Yıldırım worked as Assistant General Manager and as member of the Investment Committee at this company until February 2012. She also functioned as vice chairman on various councils of the Foreign Economic

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Relations Board (in Turkish: DEİK) from 2002 through 2012. She currently serves as an independent board member for TAV Airports and Denizli Cam. Ms. Yıldırım has been a member of the Company's Board since 2012; she also heads the Corporate Governance Committee and is a member of the Committee for Audit.

16. Operating Principles of the Board of Directors

Agendas of the Board meetings are prepared as recommended by the General Manager and with the knowledge of the Chairman of the Board. The Board of Directors carries out its activities within the frame of its publicly disclosed operating principles, and meetings are called by the Chairman or Vice Chairman as and when deemed necessary for the company's business affairs. Board members also have the right to call for a meeting of the Board of Directors according to Article 13 of the company's articles of incorporation.

A Board of Directors Secretariat has been set up at the company during the reporting period. This unit is responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decisions, coordinating communication among Board members, and performing similar functions. The Board of Directors convened 12 times during the period and passed 59 resolutions. All Board members attended all of the Board meetings that were held during the year. All decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes. No board member enjoys any special voting rights and/or has the power to exercise a veto. There was one related party transaction of material nature during the reporting period, which was submitted for the approval of independent Board members. The said transaction involved a counter guarantee in the amount of USD 161.5 million received from İşbank, and creation of a prior lien in the same amount with the counter guarantee in favor of the Bank. The relevant Board decision was taken unanimously with the affirmative votes of the independent Board members.

17. Number, Structures and Independence of the Committees Established Within the Board of Directors

As required both by the Capital Markets Board's Corporate Governance Principles and by the company's Board of Directors Operating Principles, three committees have been created within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. Each of these committees is headed by an independent director, and the heads and members of the Committees are presented below:

Corporate Governance Committee	
Head	Member
D. Sevdil Yıldırım, Independent Member	Kemal Şahin, Member
Committee for Early Detection of Risk	
Head	Member
H. Cemal Karaoğlu, Independent Member	Kemal Şahin, Member
Committee for Audit	
Head	Member
H. Cemal Karaoğlu, Independent Member	D. Sevdil Yıldırım, Independent Member

The Board of Directors consists of five members; therefore, a Board member serves on more than one committee given the existing number of Board members. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board members were assigned and elections to committee seats were held as required by CMB Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles. Committees' current operating principles were also reviewed and publicly announced. All committees performed their functions within the framework of their governing principles. Neither a Nominating Committee nor a Remuneration Committee has been set up. The functions of these committees are performed by the Corporate Governance Committee. A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and

responsibilities incumbent upon it under CMB's Corporate Governance Principles. This Committee regularly reviews the company's corporate governance practices and it strives to make improvements in them. During the reporting period, this Committee played an active role both in initiating the company's corporate governance rating process and in the actual conduct of that process. Besides its corporate governance duties, this Committee also gives importance to investor relations. At regular intervals, the Committee reviews the company's investor relations activities and strategies and it ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the Committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. It is a principle of the Corporate Governance Committee to meet at least once a month before the regular monthly meeting of the Board of Directors; however it may also convene more frequently as circumstances require.

As required by CMB Communiqué Serial: IV No:56 on the Determination and Implementation of Corporate Governance Principles, the name of the committee responsible for overseeing the company's risks was changed from "Risk Committee" to "Committee for Early Detection of Risk". Along with this change of name, the Committee's operating principles were also updated. The Committee for Early Detection of Risk plays an active role in identifying risks that are inherent in the company's activities, in quantifying them, in reporting them, and in determining risk management strategies and policies. In addition to these duties, the Committee for Early Detection of Risk has also begun operating within the framework of the risk management and risk detection duties and responsibilities that fall upon the Board of Directors pursuant to Article 378 of the Turkish Commercial Code (Statute 6102). In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit actively works in such matters as publicly disclosing the company's financial statements, having independent audits conducted, and ensuring that the company's internal control system functions effectively; all other aspects of the independent auditors' activities were also supervised.

18. Risk Management and Internal Control Mechanism

Risk management and internal control systems at the company are organized in accordance with international practices, principles and organizational frame. Risk management and internal control activities are carried out by the Risk Management and Internal Control Unit.

The Risk Management Unit has been functioning at the company since 2005 and reports, in order, to the company's senior management, company Committee for Early Detection of Risk and the Board of Directors in relation to the management of the risks inherent in the company's operations within the frame of the company's Risk Policy and other associated internal guidelines.

The Board of Directors is kept informed about the company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the company's business sector, key financial indicators, and the results of the unit's quantification and assessment of the risks that are inherent in the company's activities. Detailed information is provided about business environment risk, a category of operational risk that the company is particularly exposed to. Under article 378 of the Turkish Commercial Code (Statute 6102), which went into effect during the reporting period, an assessment was made of the duties and responsibilities charged to the Board of Directors via the Committee for Early Detection of Risk with regard to risk management and detection. Preparations were started for reporting on risk detection. Maintaining a risk-focus in the planning and conduct of its activities, the Unit works to ensure continual control of high-risk areas and quick resolution of issues. The "Company Risk Catalogue" that covers all of the risks inherent in the company's activities are updated as dictated by changing market and business conditions, new types of risks are defined, potential risks are identified, and risk mitigation measures are proposed. These efforts are intended to enable senior management to take whatever measures are needed to ensure that the company's risks are effectively managed and develop necessary control systems. Internal control activities, on the other hand, are organized to constantly keep under control all financial and operational risks identified in relation to activities. Work flows, job descriptions, authorities and limits related to activities are put into writing, and are constantly reviewed in parallel with the risks. Workflows concerning activities include the necessary controls that are able to respond to risks on the basis of the relevant activity. Functional job segregations on the basis of activities, transaction and approval authorities, post-transaction controls, and other controls specific to the transaction guarantee that activities and transactions are constantly carried out efficiently, accurately, regularly and securely.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

19. Strategic Goals of the Company

The company has a diversified portfolio made up of different elements including land, offices, shopping centers, hotels and projects. Within this frame, the company capitalizes on all investment opportunities in and out of Turkey so as to enrich its portfolio, and maintains its target of stable growth. To this end, the company closely watches all changes in trends and preferences that impact the global sector's dynamics.

Mixed-use project concept that covers both residential and commercial units is persisted in the projects that are being developed and are ongoing, thereby rendering the benefit derived on rental activities sustained, while also intending to generate high returns on sales.

The Board of Directors approves the annual budget that brings the targets together in line with a plan so as to incorporate its own revisions and suggestions. All strategic changes that result from the decisions passed during the year and the deviations in estimations are evaluated on a monthly basis, save for in extraordinary cases, and short and long-term investment and funding plans are revised and repositioned according to new developments when necessary.

The company's key strategic goal along this line is to capitalize on the opportunities that will serve to increase its sustained income and profitability on planned investments and to maximize the benefit provided to shareholders.

20. Financial Rights

Pursuant to Corporate Governance Principles, the remuneration principles for the Board members and senior executives are put into writing and presented to the General Assembly. The company's Remuneration Policy is available on the company's website, under "Policies" under the heading "Corporate Governance" in "Investor Relations" section.

The General Assembly determines remunerations of the members of the Board of Directors. The benefits provided to the Board of Directors, Board of Auditors and senior management are publicly disclosed via the Financial Reports disclosed quarterly. In addition, this matter is also addressed in the related section of the Annual Report.

Besides the remuneration decided by the General Assembly, the Board members were not granted rights that would give them financial benefits such as attendance fee, bonus or premium. Stock options or a payment plan based on the company's performance are not used for the remuneration of independent Board members.

The financial benefits provided to the senior management cover salaries and bonuses.

During the current year, the company engaged in no transactions such as lending, granting loans, providing guarantees, etc. involving Board members or managers.