

Corporate Governance Principles Compliance Report

PART I – 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 changes in legislation, with a particular focus on investor relations activities in respect of capital markets, and 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.

Our Company has already embraced the Corporate Governance Principles, and closely monitors any regulations governing these principles; the Company pays utmost attention to achieving compliance with the principles and carries out the necessary improvements to further its conformity to the principles. Accordingly, corporate governance rating of our Company has been revised as 9.09 within the scope of the review performed by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. The Company was given the following ratings in the four main sections: Shareholders 9.10, Public Disclosure and Transparency 9.76, Stakeholders 8.44, Board of Directors 8.89.

The rating report prepared by SAHA 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 II - SHAREHOLDERS

2.1. Investor Relations Department

The Company's "Investor Relations Department" has been active since 28 January 2005 within the relevant regulations of the CMB. Prior to each meeting, the Department prepares a report to be submitted to the Board of Directors about the Department's activities during the period, investor's remarkable assessments, and brokerages' comments and assessments about the Company. The Department participates in the Board of Directors meetings, as and when necessary, and provides detailed information on the subject. Serving as a bridge between the Department and the Board of Directors, the Corporate Governance Committee, which actively oversees the Department's activities, meets prior to each Board meeting, and evaluates the activities carried out by the Department during the reporting period. Following the meeting, presentations about the topics that have been dealt with are shared with the Board of Directors.

The Company's Investor Relations Department operates under the name "Investor Relations and Corporate Compliance" within the "Investor Relations and Corporate Compliance, Risk Management and Internal Control Group". The Department manager is Ayşegül Şahin Kocameşe, Head of the Investor Relations and Corporate Compliance, Risk Management and Internal Control Group. The Department manager holds Capital Market Activities Advance Level License and Corporate Governance Rating Specialist License. The Department manager has been assigned as a member of the Corporate Governance Committee on 13 February 2014 in accordance with article 10 of the Corporate Governance Communiqué.

Contact details for the individuals working in the Investor Relations Department are presented below:

Contact Person	Phone Number	E-mail Address
Ayşegül Şahin Kocameşe Head of Investor Relations	0212-325 23 50	aysegul.sahin@isgyo.com.tr
Mine Kurt Yıldırım Assistant Manager	0212-325 23 50	mine.kurt@isgyo.com.tr
Begüm Olgaç Senior Assistant Specialist	0212-325 23 50	begum.olgac@isgyo.com.tr

Investor Relations Department 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 Assembly Meetings and share capital increases.

During the reporting period, the Investor Relations Department held one-on-one meetings with domestic and international investment companies at the Company's headquarters, took part in investor conferences organized by brokerages in and out of Turkey (TEB Investment-Istanbul/Turkey, IS Investment-London/UK, IS Investment-Bodrum/Turkey, Yatırım Securities-Warsaw/Poland), and held meetings with investors controlling major assets within the scope of the road show organized by Yapı Kredi Invest, which covered Frankfurt, London and Stockholm. The Department also held teleconferences at the Company's headquarters. Within this framework, the Department had contacts with nearly 80 people from more than 60 investment companies.

The majority of parties 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 Investor Relation Department responded to more than 270 queries, most of which were received by e-mail. Comprehensive information requests received from local, foreign, individual or institutional investors were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy. About 80% of all requests for information were received from institutional investors; the remaining 20% consisted of individual queries.

In addition to investors' queries, support is extended for information requests, surveys and academic studies within the scope of research conducted by universities and various public institutions.

The Investor Relations Department regularly maintains proper records both of the written and oral queries that it receives and of the responses given. Besides handling requests for information made to the Company, this Department also regularly monitors the reports and bulletins published by brokerages in which any mention of the Company is made, while providing the necessary support to brokerages for their reporting processes.

In addition, Investor Relations Department manager, acting as an effective channel of communication between the Company and its shareholders, attended all meetings of the Corporate Governance Committee as one of the Committee members held during the reporting period, and provided the Committee with information about the Department's activities, important developments during the reporting period and regulatory changes that concern investor relations activities. The Department manager was also actively involved in the improvement and rating of corporate governance practices.

2.2. Exercise of Shareholders' Right to Obtain Information

İş REIT's Information 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.

The Company's Information Policy was reviewed in view of the Material Events Communiqué published during the reporting period, and was revised in accordance with the said communiqué and the Company's changing needs. The updated Information Policy was publicly disclosed via the Public Disclosure Platform (in Turkish: KAP) and posted on the corporate website on 15 July 2014.

Shareholders request information by directly contacting the Investor Relations Department employees, or by sending an email either to the Department'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, observing particularly the legislation and the Company's Information 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 Investor Relations Department. 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. Moreover, those sections of the Company's corporate website that are subject to updates, particularly the information with a potential impact on the exercise of shareholder rights, are regularly updated. 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.

The corporate website has been allocated as required by the regulation governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporates the "Information Society Services" section. Investors link to the Central Registry Agency (MKK) portal via the Information Society Services section and are able to access fundamental information about the Company.

Moreover, under a service contract executed with Foreks Bilgi İletişim A.Ş., investors have access to stock performance data as well as to the Company's material event disclosures via a link on the "Investor Relations/Stock Performance" section. In addition, stock performance data is also provided in English.

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.

2.3. Information About General Assembly

The Annual General Assembly of Shareholders for 2013 convened on 21 March 2014 at the address İş Kuleleri, Kule 1, Kat: 41 Levent-Beşiktaş/İstanbul with 63.24% attendance, of which 63.15% were acting as proxies and 0.09% were acting in person. Besides shareholders, all Members of the Board of Directors participated in the meeting, as well as an authorized person from the independent audit firm and Company employees. Although the Company's articles of association or the Company's internal directive on the operating principles and procedures of the General Assembly contain no provisions precluding the media from attending the General Assembly, no members of the media attended the General Assembly.

Under the relevant requirements of the Turkish Commercial Code and the Ministry of Customs and Trade, the Company's General Assembly Meeting for 2013 was concurrently held on the Electronic General Meeting System hosted by the Central Registry Agency, and shareholders who are entitled to participate in the General Assembly Meeting were given the opportunity to electronically participate in the meeting, assign a proxy, make recommendations, voice their comments, and cast votes over this system.

The General Assembly process was conducted according to the Corporate Governance Principles and the provisions of the Turkish Commercial Code (TCC); in addition, the invitation for the meeting, including the agenda and sample proxy form, were published on the corporate website, Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), and in two national newspapers. In addition to the announcements on the Public Disclosure Platform, invitation for the meeting was also made via the Electronic General Meeting System (e-GEM) and the e-Company (Companies Information Portal) of the MKK; documents pertaining to the General Assembly were also uploaded to e-GEM. 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 2013 Annual Report was made available at the Company's headquarters and on the website for investor review 21 days before the meeting date. All documents prepared in relation to the General Assembly were also uploaded to the MKK's Electronic General Meeting System.

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 Investor Relations Department for their incorporation in the agenda. At the time the agenda for the 2013 Annual General Assembly was being prepared, no such requests have been received by the Company.

Pursuant to Corporate Governance Principles, the Company publicly disclosed in a material event disclosure given prior to the General Assembly that the final list of board member nominees and their résumés are accessible on the home page and General Assembly sections of the corporate website, 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.

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 Information Policy.

Following the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed via the Public Disclosure Platform, and was made available to shareholders by posting them under the heading "General Assembly Meetings" beneath the "Investor Relations" section of the Company website.

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

There is a Donations Policy in place, which sets out the principles and procedures applicable to the donations to be made by the Company. No changes were made to the policy during the reporting period.

As per article 19 of the Capital Market Law, the limit of the donations to be made by a company is to be set at the General Assembly. Under İŞ REIT's Company Donations Policy, the donation budget set aside for the Company's donations during 2014 and approved by the General Assembly is TL 115,000. The Company did not make any donations in 2014. This matter will be presented for the information of the General Assembly pursuant to the Corporate Governance Principle numbered 1.3.10 and article 6 of the CMB's Communiqué on Dividends (II-19.1).

None of the Board of Directors decisions passed during the reporting period required the affirmative votes of all of the independent Board members and needed to be referred to the General Assembly by reason of a negative vote and thus, required the incorporation of the act within the agenda.

During the General Assembly Meeting held during the year, Board of Directors Members were authorized to transact under articles 395 and 396 of the TCC concerning "prohibition on doing business with the Company, on borrowing from the Company" and "non-compete". During the reporting period, neither the Board Members, nor shareholders having management control, nor executives with administrative responsibility or their spouses or relatives by marriage unto the second degree engaged in any material transaction that might lead to a conflict of interest between the Company or its subsidiaries, performed a transaction of a commercial business nature on own or another's behalf that falls under the business scope of the Company or its subsidiaries, or joined another company dealing with the same kind of commercial affairs in the capacity of an unlimited partner.

2.4. Voting Rights and Minority Rights

The Company's capital is divided into 68,040,000,000 shares each with a nominal value of TL 0.01, which are made up of Group A shares that correspond to TL 972,000 and Group B shares that correspond to TL 679,428,000. Group A shareholders have the privilege of nominating candidates to the Board of Directors elections. One Member of the Board of Directors is elected from among the candidates nominated by Group B shareholders, with all of the remaining Members being elected from among the ones nominated by Group 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 14 of the CMB Communiqué on the Principles Regarding Real Estate Investment Companies (III-48.1) sets out that shareholders in a REIT may issue shares incorporating the privilege of nominating candidates for election of Board Members. 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.

At the Company, each nominal value of TL 0.01 gives entitlement to one vote, and shareholders vote at General Assembly Meetings pro rata the total nominal value of the shares they hold, pursuant to article 434 of the Turkish Commercial Code. Principles in relation to voting at General Assembly Meetings are set out in the Company's internal directive on working principles and procedures of General Assembly, which has been laid down for approval at the General Assembly and has been publicly disclosed. The Company's articles of association grant no privileges in relation to voting.

There are no companies with which the Company has cross-shareholding relationship.

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

2.5. Entitlement to Dividends

The Company's Dividend Policy has been reviewed in view of the CMB Communiqué (II-19.1) on Dividends published during the reporting period. No changes that would alter the main constituents or the essence of the policy were made to the Dividend Policy. The policy was supplemented with the following provision in relation to distribution of advances on dividends:

"The Company's articles of association address distribution of advances on dividends, and advances on dividends may be distributed to shareholders subject to the applicable capital market regulations and requirements."

The said modification was approved at the Annual General Assembly.

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 articles of association address distribution of advances on dividends, and advances on dividends may be distributed to shareholders subject to the applicable capital market regulations and requirements.

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 2013 fiscal year, it was decided to distribute dividends in the total amount of TL 81,900,000 to shareholders, breaking down as cash dividends worth TL 31,500,000, so that TL 0.05 (gross=net) (5%) dividend will correspond to each share with a nominal value of TL 1, and bonus shares worth TL 50,400,000. Cash dividend payout to shareholders was completed on 27 March 2014 and bonus share distribution on 26 May 2014.

The Board of Directors' proposal for dividend distribution in relation to 2014 period profit will be submitted to the approval of shareholders at the Annual General Assembly for 2014 fiscal year.

2.6. Transfer of Shares

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

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. 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 regularly and simultaneously updated to better inform the investors.

In accordance with the Central Registry Agency (MKK) data published via the Public Disclosure Platform (KAP), the Company's shareholding structure is updated to show also the non-corporate or corporate shareholders directly holding 5% or higher interest, or having voting rights. Upon public disclosure of financial statements and notes, summary financial statements drawn up in English are posted on the English website pursuant to the capital market legislation.

The corporate website covers the elements as described in the Corporate Governance Principles, and the information posted on the website are regularly reviewed. The website is also monitored with respect to its compliance with applicable regulations in terms of its format and content.

The corporate website has been allocated as required by the regulation governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporates the "Information Society Services" section. Investors link to the MKK portal via the Information Society Services section and are able to access fundamental information about the Company.

Furthermore, under the service agreement made with Foreks Bilgi İletişim A.Ş., investors are provided with easy access to stock performance data, as well as to the Company's material event disclosures via a link on the "Investor Relations/Stock Performance" section. In addition, stock performance data is also provided in English.

3.2. 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.

Care is taken to make sure that the annual report covers detailed information on Board Members and committees, as well as basic information about the Company's activities. In this frame, the annual report contains Board Members' résumés, their powers and responsibilities in the Company and the outside positions they hold, whether they make any transactions within the Company's main business scope under the Company's legal entity or on the Company's capital market instruments, whether they enter into a borrowing relationship with the Company. Other information covered by the report includes financial rights provided to Board Members and Independent Members' declarations of interest, operating principles of the Board of Directors, number of Board meetings held during the reporting period, attendance to meetings, number of decisions passed and information on the adoption manner of these decisions; formation and operating principles of the committees set up under the Board of Directors, their activities during the reporting period, and the numbers of their meetings and decisions, as well as the Board of Directors' assessment on the activities of committees.

In addition, the annual reports also address changes in legislation that might have material impact on the Company's activities; disclosure of conflicts of interest, if any, between the Company and outsourced service providers in fields such as investment consultancy and rating, and the measures adopted to prevent conflicts of interest; information on important lawsuits brought against the Company during the year and their potential outcomes; information on cross-shareholding relations in which more than 5% of the capital is held directly, and information on social benefits and professional training provided to employees, and on corporate social responsibilities activities in relation to Company activities that bring about other social and environmental implications.

PART IV-STAKEHOLDERS

4.1. 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 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. An Ethics Hotline was set up, which will be used for stakeholders to convey any transactions deemed to contradict with the laws or the Company's ethical values to the Committee for Audit made up of Independent Board Members. An email account has been assigned for this line and email address has been announced on the corporate website. The Ethics Hotline can be accessed from the link <http://www.isgyo.com.tr/EthicalContact.aspx> on the website.

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.

4.2. 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.

The Company maintains constant communication with employees, pays due regard to their needs, and creates various platforms and mechanisms by which employees can convey their opinions and comments.

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 or promise to sell real property agreements, are forwarded to the Company's relevant committees through the Corporate Communications, Sales, Leasing and Marketing Group, and solution-oriented suggestions are discussed and decided on by these committees.

4.3. Human Resources Policy

The main objective of our Human Resources Policy is to select the human resource that is compatible with the Company's corporate structure, to ensure execution of necessary training, development and education activities aimed at creating a competitive edge, and to establish a shared corporate culture.

Accordingly, HR management is intended to recruit the qualified human resource that will carry out Company activities in the most effective manner and to ensure employee motivation so as to maintain constant success; continuously improve financial and social rights of employees; create a fair and professional working environment, and provide the necessary support to determine and fulfill the training needs of personnel.

The main principles of the our Human Resources Policy is spelled out as:

Holding a proactive and innovative perspective in relation to management of the Company's human resource; maintaining cooperation with all the units of the Company, and securing a fair business conduct based on success. In all these processes, our HR management supports innovation and creativity.

Respect for the human and equality are the core values in the execution of HR practices across the Company, including selection and placement, performance management, career planning, compensation and fringe benefits management, training, development and employee communications.

Aiming to enhance productivity of Company activities and the quality of business life, HR management carries out selection and placement activities within the frame of the principle of "placing the right person in the right job" from among high-potential, qualified candidates who are compatible with the corporate culture and values, specialized in their respective fields and open to development. In these efforts, HR management, in no way, discriminates on the basis of race, religion, language or sex.

Employees aiming to add value to their respective jobs, backed by the HR management, position themselves, gain access to self-development and manage their career objectives along with their managers. To our Company, "Each Employee is a Future Leader". In this journey, the HR management is the fellow traveler of all our "Employees".

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.

4.4. 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, İŞ REIT also carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility concept.

Along the line, the Company extends support to numerous artistic and sports events, in addition to the activities carried out in the sector. The activities carried out with a view to allowing the young generation gain experience in the sector and to socially equip them coincide with our corporate mission that puts human at its core.

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 2014.

İŞ REIT sponsored Konak Municipality Youth and Sports Club Women's Football Team, which competes in the Turkish Football Federation Women's 1. League, and granted TL 100,000 to the team for their player kit sponsorship in the 2014-2015 season. In keeping with the goal of taking an active role in propagating sports among all segments of the society without any discrimination between men and women, young and old, the Company sponsored the team for 2011-2012, 2012-2013, and 2014-2015 seasons. Claiming the national championship in the Women's 1. Football League, Konak Municipality Women's Football Team qualified to represent Turkey in the UEFA Women's Champions League.

İŞ REIT extended sponsorship support to the Regional Conference organized by Gündoğdu Rotary Club till 28 April 2014. The Company also supported the Regional Assembly held by Söke Rotary Club from 10 April through 13 April 2014. During the painstakingly formulated Rotary Club events, seminars were organized addressing various topics from personal development to the country's problems.

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.

İş REIT provides gratuitous support to projects in areas that it regards within the scope of its social responsibility such as education, health, culture, law, art, scientific research, environmental protection, and sport. Committed to consistently shaping its approaches, values, and policies within the framework of its corporate social responsibility, the Company will continue to engage in such activities and to provide them with support in the future as well.

In the conduct of all of its activities, İş REIT takes pains to be a socially responsible actor who abides by the law and is mindful of environmental values. No lawsuits were brought against the Company on account of environmental damage in 2014.

PART V-BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Board of Directors:	
Levent Korba	Chairman, Non-Executive 21.03.2014-23.03.2015
M. Kemal Fettahoğlu	Vice Chairman, Non-Executive 21.03.2014-23.03.2015
H. Cemal Karaoğlu	Board Member, Non-Executive, Independent 21.03.2014-23.03.2015
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent 21.03.2014-23.03.2015
Mete Uluyurt	Board Member, Non-Executive 21.03.2014-23.03.2015
Süleyman H. Özcan	Board Member, Non-Executive 08.12.2014-23.03.2015
Murat Doğan	Board Member, Non-Executive 08.12.2014-23.03.2015
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 association. 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 seven members, two of which are independent.

In accordance with the provisions introduced by the new Turkish Commercial Code no. 6102, the Board of Directors developed internal bylaws concerning limited authority delegation, whereby the necessary requirements and arrangements were made for the Board of Directors Members' representation powers, which have then been registered and promulgated.

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 20 March 2014, 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. Declarations of interest by Board Members are on page 26.

Although there are no set rules on Board Members' undertaking other duties outside the Company, if they take on an executive role or hold a seat on the board of directors on, or offers consultancy service to, another company, this must not cause a conflict of interest. Also, as a basic principle, Independent Board Members must act so as to maintain the independence criteria described in the Principles. The external positions held by Board Members, their terms of office with the Company and distribution of positions are provided in the Members' résumés.

Levent Korba

Chairman

21.03.2014-23.03.2015

Levent Korba received his degree in English language from Buca Faculty of Education at Dokuz Eylül University in 1984. He joined İşbank in 1986 as a Candidate Officer in İzmir Branch. He became an Assistant Section Head in Bornova Branch in 1990, and a Sub-Manager and then Assistant Manager in Karabağlar Branch in 1995 and 1998, respectively. He was brought to the position of Manager of the Samsun Branch in 2002, Çukurova Regional Manager in 2004 and the Head of Branch Network Development Division in 2007. Holding an in-group position in addition to his office as the Chairman of the Board at İş REIT, Mr. Korba serves as Deputy Chief Executive of İşbank since 13 April 2011.

M. Kemal Fettahoğlu

Vice Chairman

21.03.2014-23.03.2015

M. Kemal Fettahoğlu got his degree in economics from the Middle East Technical University in 1990 and joined İşbank the same year as an assistant specialist in the Strategic Planning Department. After pursuing 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 also assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. Holding an in-group position in addition to his office as the Vice Chairman of the Board at İş REIT, Mr. Fettahoğlu has been serving as the head of İşbank's Construction and Real Estate Management Division since October 2011. Having been a member of İş REIT's Board of Directors since 2012, Mr. Fettahoğlu also holds a seat on the Board of Directors of İş-Koray.

H. Cemal Karaoğlu

Independent Board Member

21.03.2014-23.03.2015

H. Cemal Karaoğlu got his bachelor's degree in 1987 and his master's degree in 1991 in civil engineering from 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 a 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 an engineer and executive in various fields, including constructional drawings, control services, and investment consultancy. He does not hold an in-group position apart from his seat on the Board of Directors at İş REIT. Serving as Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008, he is also on the Board of Directors of Başarı Yatırımlar San. ve Ticaret A.Ş. Holding a seat on İş REIT'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

Independent Board Member

21.03.2014-23.03.2015

D. Sevdil Yıldırım received her degree in business administration from the Middle East Technical University in 1988. She also has master's degrees in economics from the Middle East Technical University and in business administration from the London Business School. She worked at Capital Markets Board (CMB) in Research and Development and Auditing and Supervision departments in 1988 and 1999. In 1999, she joined Yapı Kredi Invest in order to set up the International Capital Markets Department, where she was promoted to Assistant General Manager in 2003. She joined Turkish Yatırım and BGC Partners as an assistant general manager in 2006 and 2007 respectively. She transferred to Yıldız Holding A.Ş. in 2009 to set up the Corporate Finance and Capital Markets Department. Mrs. Yıldırım was also involved in the establishment of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., the publicly held participation of Yıldız Holding, where she served as an Assistant General Manager and also on the Investment Committee Member until February 2012. She held vice president positions for several councils at DEİK (Foreign Economic Relations Board) from 2002 to 2012. In tandem with her seat as an independent member of the Board of Directors at İş REIT, she serves as an independent board member at TAV Havalimanları Holding A.Ş., a non-group position, and at Denizli Cam ve Sanayi A.Ş., an in-group position. Mrs. Yıldırım has been holding a seat on the Board of Directors of İş REIT since 2012 and she is also the head of Corporate Governance Committee as well as the member of the Committee for Audit.

Mete Uluyurt

Board Member

21.03.2014-23.03.2015

Mete Uluyurt graduated from Tarsus American High School in 1989 and from the Department of Economics at Bilkent University in 1994. He started his career on the Board of Internal Auditors of İşbank in 1996. Mr. Uluyurt was appointed as an Assistant Manager to the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, he worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department and as Unit Manager in the Department of Strategy and Corporate Performance Management. Holding an in-group position in addition to his seat on the Board of Directors at İş REIT, Mr. Uluyurt is currently working as Manager of Balmumcu Branch, to which position he was appointed in 2011.

Süleyman H. Özcan**Board Member**

08.12.2014-23.03.2015

Süleyman H. Özcan got his degree in economics at Boğaziçi University, and started his career as an assistant internal auditor on the Board of Internal Auditors of İşbank in 1993. He was appointed as Assistant Manager in Treasurers Department in 2001 and then as manager in the same department. He also worked as Unit Manager in Project and Change Management Department and Department of Strategy and Corporate Performance Management respectively and served in various positions at some İşbank subsidiary companies. Holding an in-group position in addition to his seat on the Board of Directors of İş REIT, he has been working as Department Manager in Investor Relations Department since 26 March 2009. Mr. Özcan has been serving as a Member of the Board of Directors at İş REIT since 08 December 2014.

Murat Doğan**Board Member**

08.12.2014-23.03.2015

Murat Doğan got his degree in industrial engineering from İstanbul Technical University in 2000, and joined İşbank as an assistant specialist in İşbank's Subsidiaries Division. He currently serves as Unit Manager for Property Development and Healthcare Companies in the division. Holding in-group positions in addition to his seat on the Board of Directors of İş REIT, Mr. Doğan is a Board member at Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş., İş Merkezleri Yönetim ve İşletim A.Ş., Erişim Müşteri Hizmetleri A.Ş., İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş., and Camış Yatırım Holding A.Ş. Having served as a member of the Company's Committee for Audit from 2010 to 2012, Mr. Doğan has been holding a seat on İş REIT's Board Of Directors since 08 December 2014. He is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk.

Turgay Tanes**CEO**

Turgay Tanes graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987. He started his career at İşbank as an assistant inspector on the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Division in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same division. Serving as the CEO of İş Real Estate Investment Trust Co. since 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank.

The Company has not yet determined a targeted ratio and timing in relation to the women members on the Board of Directors, nor has it devised a policy to this end. However, a woman member has been serving on the Board of Directors for the last three years.

5.2. Operating Principles of the Board of Directors

Agendas of the Board meetings are prepared as recommended by the CEO 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 association.

A Board of Directors Secretariat has been set up at the Company. 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 nine times during the period and passed 86 resolutions. All Board Members attended all of the Board meetings but one during the reporting period. Except for seven decisions, 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.

The insurance necessary to indemnify the losses that Members of the Board of Directors may cause to the Company by reason of their faults in the performance of their duties has been purchased by İşbank, the principal shareholder, so as to cover the Bank and its subsidiaries.

5.3. Number, Structures and Independence of the Committees Established Under 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, there are three committees within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. These committees are headed by Independent Board Members. All of the members of the Committee for Audit are Independent Board Members as per the legal requirement. The heads and members of committees are presented below.

Corporate Governance Committee		
Head	Member	Member
D. Sevdil Yıldırım Independent Member	Murat Doğan Member	Ayşegül Şahin Kocameşe Head of Investor Relations

Committee for Early Detection of Risk	
Head	Member
H. Cemal Karaoğlu Independent Member	Murat Doğan Member

Committee for Audit	
Head	Member
H. Cemal Karaoğlu Independent Member	D. Sevdil Yıldırım Independent Member

The Board of Directors consists of seven members, two of whom are independent. Owing to the present structure of the Board of Directors, a Board Member may serve on more than one committee. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. 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 Corporate Governance Communiqué, which were then publicly announced.

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 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, along with the Investor Relations Department, was actively engaged in the review of the Company's corporate governance rating. At regular intervals, the Committee reviews the Company's investor relations activities and strategies, and 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. During the reporting period, the Committee held 12 meetings and passed 11 decisions.

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 systems function effectively; all other aspects of the independent auditors' activities were also supervised. During the reporting period, the Committee held 6 meetings and passed 7 decisions.

In accordance with the CMB's rules and regulations concerning corporate governance, the Committee for Early Detection of Risk has been set up to early detect the risks that may threaten the Company's existence, development and survival, to implement the necessary measures for identified risks and to manage the risks. It is also charged with conducting reviews of the risk management systems at least on an annual basis. Through its activities during the reporting period, the Committee played an active role in the identification and analysis of important risks inherent in the Company's operations, improved the Company's existing practices through new risk arrangements created, and increased the efficiency of the Company's risk systems. During the reporting period, the Committee held 6 meetings and passed 3 decisions.

5.4. Risk Management and Internal Control Mechanism

The Company's risk management activities are being carried out by the Risk Management Unit since 2005. This Unit reports to the Company's senior management 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 and the Committee for Early Detection of Risk are 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 analysis 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.

Furthermore, under article 378 of the Turkish Commercial Code no. 6102, an assessment was made of the duties and responsibilities charged to the Committee for Early Detection of Risk and to the Board of Directors with regard to risk management and early detection of risk. Accordingly, a "Committee for Early Detection of Risk Report" is prepared on a bimonthly basis and submitted to the Board of Directors for its information.

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.

Within the scope of portfolio management activities, the Company invests both in money and capital market instruments. At the end of the reporting period, the investments in the real estate sector made up 95% of the total portfolio investments. The main risk inherent in these investments is the business environment risk. These risks include external factors such as changes in the regulatory framework and practices with a potential impact upon the Company's activities and the supply/demand situation in the sector. The Company adopts the necessary measures, makes use of the control systems and monitors the effectiveness of these systems, in order to minimize the risks that might arise from the business environment.

As of 31 December 2014, money and capital market investments made up only a 5% share of the overall investment portfolio. These investments are exposed to an inherent market risk, which is an expression of the potential losses that the Company may sustain on account of changes in interest rates, exchange rates, and equity prices. The Company's exposure to market risk on account of its money and capital market instruments and to the FC position held by the Company is regularly analyzed and monitored using the methods and principles set by the management, and the results are reported to the senior management.

Credit risk is an expression of the risks to which the Company is exposed on account of the failure of a counterparty to a contract concerning the purchase or sales of goods or services, to which the Company is a party, to fulfill the contractual requirements and/or to timely satisfy its contractual obligations, in part or in whole. The Company complies with internal guidelines in order to minimize its credit risk exposure in relation to transactions to which the Company is a party.

Liquidity risk is defined as the possibility of the loss the Company may suffer on account of imbalances in its cash flow, resulting in unavailability of cash holdings or cash inflow sufficient in volume and quality to fully and timely fulfill its cash disbursement obligations. The Company invests in cash resources, which are not allocated to its projects, in money and capital market instruments in a manner to ensure full and timely fulfillment of its cash disbursement obligations, and keeps a close eye to ensure that the amounts and maturities are compatible. The Company's short and long-term financing needs are determined by way of regularly prepared cash projections, while the relationship between the Company's revenues and project finance costs is closely watched both in terms of maturity and of the type and amount of foreign currency. The Company's cash status and financing strategies are shaped accordingly. The Company's liquidity is regularly analyzed and monitored using the methods and limits set by the management, and the results are reported to the senior management.

The Company's internal control system is set up to review, control, monitor and assess the Company's activities, and the fitness, adequacy and effectiveness of these controls in relation to these activities. The results are reported to relevant units. The Unit responsible for internal control activities functions in accordance with the "İş REIT Internal Control Unit Operating Principles Guidelines", which sets out the establishment and operation of the Company's Internal Control Unit, internal control activities, the duties, powers and responsibilities of the individuals assigned to the Internal Control Unit, and the Unit's operating principles and procedures.

The internal control system created at the Company is based on a risk-focused approach to control; therefore, the internal control activity basically deals with controls that are developed to minimize and eliminate the risks inherent in the Company's activities and the adequacy of these controls. The Unit submits quarterly and semi-annual reports to the Board of Directors.

Committees set up under the Board of Directors work actively and fulfill their duties and responsibilities set out in Corporate Governance Principles. Through its activities during the reporting period, the Committee for Early Detection of Risk played an active role in the identification and analysis of important risks inherent in the Company's operations, improved the Company's existing practices through new risk arrangements created, and increased the efficiency of the Company's risk systems. The Committee for Audit, on the other hand, reviewed the operation of the Company's internal systems, contributed to the betterment of processes that presented room for improvement, and effectively carried out audit activities. The Board of Directors regularly oversees the efficiency of the Company's internal systems and prepares an assessment report on the operation and efficiency of internal systems during the year.

5.5. Strategic Goals of the Company

İş REIT has a portfolio that is diversified with various components including land, offices, shopping malls, hotels and projects. Accordingly, the Company maintains its stable growth target by capitalizing on all investment opportunities, and thus, enriching its portfolio. To this end, İş REIT closely monitors all trends and preferences that affect the sectoral dynamics.

Mixed-use project concept that covers both residential and commercial units is preserved in the projects that are being developed and that are planning and licensing phase, thereby rendering the benefit derived on rental activities continuous, while also intending to generate high returns on sales and profit realization.

Within this scope, İş REIT's strategic goal in 2015 is, firstly, to carry on with the development, sales and letting activities of its existing investments; to bring its investments to completion within the set lead times, and to maximize the added value to be derived on these investments.

Besides the strategic goal mentioned above, İş REIT will continue to explore investment opportunities that will arise in areas that will increase its profitability and provide maximum benefit to its shareholders, and to capitalize on the same to the extent market conditions are appropriate. The main strategy of İş REIT is to increase dividends and productivity in line with the principles of its parent holding, İşbank Group. To this end, being a company that has been distributing cash dividends at certain ratios for many years, it is intended to increase the dividend ratio in the years ahead, in keeping with the growing investments.

İş REIT Board of Directors regularly monitors its targets and observes risk versus return balance in all of its activities. Within this frame, all strategic changes that result from the decisions passed during the year and deviations in estimations are evaluated on a monthly basis, save for in extraordinary cases. When necessary, the Company revises investment decisions and funding plans so as to adjust to these changes, and repositions itself according to changed circumstance.

5.6. Financial Rights

Pursuant to Corporate Governance Principles, the remuneration principles for the Board Members and executives with administrative responsibility are put into writing and presented for the information of shareholders at 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 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. The financial rights provided to the senior management (CEO and Heads of Groups) last year amounted to TL 3,510 thousand gross.

During the reporting period, the Company engaged in no transactions such as lending, granting loans, extending credit through a third person under the name personal loan or providing guarantees, etc. involving Board Members or senior managers.