



İş Real Estate Investment Trust Co.
**Corporate Governance Principles
Compliance Report**



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.

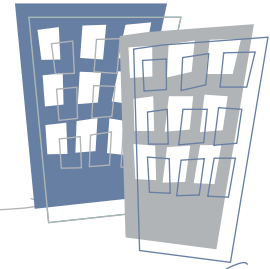
Our company exercises the necessary sensitivity for compliance with Corporate Governance Principles, and established the Corporate Governance Committee in 2007. The Committee's primary duties include monitoring compliance with corporate governance principles, undertaking improvements in these areas, and presenting recommendations to the Board of Directors. The Committee follows up the 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.

The Company's Articles of Association, which had been previously reviewed and revised within the frame of compliance with Corporate Governance Principles, have been amended in line with the provisions of the new Turkish Commercial Law and the new Capital Market Law that went into force. Necessary permissions for amending the Articles of Association have been obtained from the CMB and the T.R. Ministry of Customs and Trade. The approved draft amendments to the Articles of Association have been made available for our shareholders' information and review on the Public Disclosure Platform and on the corporate website. The text of the amended articles approved at the General Assembly Meeting held on 26 March 2013 was registered on 04 April 2013 and promulgated in the Turkish Trade Registry Gazette issue 8297 dated 10 April 2013. The amended text was also translated into English, and posted on the corporate website, thus keeping foreign investors informed about the subject.

Believing in the importance of corporate governance principles and having paved considerable way in corporate governance practices, the Company receives corporate governance rating service from the JCR Eurasia Rating. Following the annual review of the rating assigned to the Company for its Compliance with the CMB Corporate Governance Principles, JCR Eurasia upgraded the corporate governance rating to 8.81, revising its outlook as stable. The Company was given the following ratings in the four main sections: Shareholders 8.78, Public Disclosure and Transparency 9.16, Stakeholders 8.32, Board of Directors 8.79.

According to JCR Eurasia Rating's methodological infrastructure and notation representation, the level of overall convergence of the Company with the



principles of corporate governance corresponds to the [AAA (Trk) / Distinctive] category and its degree to the level of [a/ Excellent]. The results indicate at a high level of compliance with the corporate governance principles by the Company. In addition, JCR's ratings are internationally recognized.

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. Investor Relations Unit

The Company's "Investor Relations Unit" has been active since 28 January 2005 within the relevant regulations of the CMB. Prior to each meeting, the Unit prepares a report to be submitted to the Board of Directors about the Unit's activities during the period, investor's remarkable comments and recommendations, and brokerages' comments and assessments about the Company. The Unit participates in the Board of Directors meetings, as and when necessary, and provides detailed information on the subject.

The Company's Investor Relations Unit operates under the name "Investor Relations and Corporate Compliance" within the "Investor Relations and Corporate Compliance, Risk Management and Internal Control Group". The Unit manager is Ayşegül Şahin Kocameşe, Head of the Investor Relations and Corporate Compliance, Risk Management and Internal Control Group. The Unit manager holds Capital Market Activities Advance Level License and Corporate Governance Rating Specialist License.

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 Assistant Manager	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

Investor 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 Assembly Meetings and share capital increases.

During the reporting period, one-on-one meetings were held with domestic and international investment companies at the Company's headquarters, through which contact was established with almost 65 people. In addition to investor meetings organized at the Company's headquarters, teleconferences were held upon request. 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 Investor Relation Units responded to nearly 210 queries, most of which were received by email. Comprehensive information requests received from local, foreign, individual or corporate investors were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Disclosure Policy. About 78% of all requests for information were received from institutional investors; the remaining 22% consisted of queries from others about a variety of matters.



Corporate Governance Principles Compliance Report

Shareholders are able to request information either by directly contacting the Investor Relations Unit employees or by sending an email to the Unit's email address or using the contact form on the website.

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.

The questions raised at investor meetings and the queries directed to the Investor Relations Unit generally deal with such issues as the projects being developed by the Company, the course of rental income, the Company's financial statements, and its dividend policy. The Investor Relations Unit maintains proper records both of the written and oral queries that it receives and of the responses that it gives to them. Besides handling requests for information made to the Company, this Unit also regularly monitors the reports and bulletins published by brokerages in which any mention of the Company is made.

In addition, the Investor Relations Unit, which acts as an effective channel of communication between the Company and its shareholders, attended all meetings of the Corporate Governance Committee in an advisory capacity during the reporting period, and provided the Committee with information about its activities, important developments during the reporting period and regulatory changes that concern the investor relations activities. The Unit also played an active role in the improvement and rating of corporate governance practices.

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 Investor 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, 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 Investor 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. 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.

During the reporting period, the Company allocated the corporate website as required by the Regulation governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporated 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.

Moreover, under a service contract entered into with Foreks Bilgi İletişim A.Ş., investors have access to share performance as well as to the Company's 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 2012 convened on 26 March 2013 at the address İş Kuleleri, Kule 1 , Kat: 41 Levent-Beşiktaş/İstanbul with 64.84% attendance, of which 64.84% were acting as proxies and 0.0001% were acting in person. 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.

Under the relevant requirements of the Turkish Commercial Law and the Ministry of Customs and Trade, the Company's General Assembly Meeting for 2012 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 Law (TCL); in addition, the invitation for the meeting, including the agenda and the draft amendments, were published on the Public Disclosure Platform, the corporate website, the Electronic General Meeting System (e-GEM) of the MKK and in two national newspapers. 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 2012 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 Unit for their incorporation in the agenda. At the time the agenda for the 2012 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, 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.

The Company Donations Directive, which was in force since December 2006, was superseded by the "Company Donations Policy", which sets out the principles and procedures applicable to the donations to be made by the Company. The policy was ratified at the Annual General Assembly for 2011.

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 2013 and approved by the General Assembly is TL 115,000. The Company did not make any donations in 2013. 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 Profit Share Communiqué (II-19.1).

A supporter of social solidarity, arts and sport, as well as the sector's development, the Company became the sponsor of Konak Municipality Women's Handball Team in 2013 and provided a support of TL 250,000 for fulfillment of the team's needs in the 2013-2014 season. This matter will also be presented for the information of the General Assembly.

During the General Assembly Meeting held during the year, Board of Directors Members were authorized to transact under Articles 395 and 396 of the TCL 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.

5. Voting Rights and Minority Rights

The Company's capital is divided into 630,000,000 shares, which are made up of Group A shares that correspond to TL 900,000 and Group B shares that correspond to TL 629,100,000. Group 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 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.

The 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 Law. Principles in relation to voting at General Assembly Meetings are set out in the Company's internal "General Assembly Operating Principles and Procedures Guidelines", 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.

6. Dividend Policy and Dividend Distribution Timing

During the reporting period, new provisions were added to the Company's Dividend Policy within the frame of the Corporate Governance Principles, in a manner that will not alter the Policy's main elements and essence. These new provisions were as follows:

- The dividend distribution proposal and timing will be discussed and decided upon at the General Assembly Meeting,
- There are no privileges regarding distribution of profit,
- 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 Dividend Policy was ratified at the Annual General Assembly for 2012.

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 2012 fiscal year, it was decided to distribute dividends in the total amount of TL 60,000,000 to shareholders: cash dividends worth TL 30,000,000 so that TL 0.1 (gross=net) (10%) dividend will correspond to each share with a nominal value of TL 1, and bonus shares worth TL 30,000,000. Cash dividend payout to shareholders was completed on 1 April 2013 and bonus share distribution on 17 May 2013.

The Board of Directors' proposal for distribution of 2013 period profit will be laid down for the approval of shareholders at the Annual General Assembly for 2013 fiscal year.



Corporate Governance Principles Compliance Report

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

First developed in 2005, the Company Disclosure Policy was updated in 2009 in line with the revised legislation, presented for the approval of the General Assembly and publicly disclosed. 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 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.

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, 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 the CMB requirements 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 (MKK) and the "Information Society Services" link on the corporate website 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 regularly and simultaneously updated to better inform the investors.

The Company's shareholding structure, free from indirect and cross-shareholding relations, is updated to show also the non-corporate shareholders owning more than 5% share. 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.

During the reporting period, the Company allocated the corporate website as required by the Regulation governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporated 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 share performance, as well as to the Company's 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.

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 decision; 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.

In addition, the annual report also addresses the major changes in legislation during the reporting period; disclosure of conflicts of interest, if any, between the Company and the providers of consultancy, rating, audit and assessment services; information on lawsuits brought against the Company during the year; administrative or judicial sanctions imposed against the Company or the members of the governing body; legal transactions with the Company group and disclosure of transactions performed by individuals having privileged access to company information.

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 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 during the reporting period, 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.

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.

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.



Corporate Governance Principles Compliance Report

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.

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 Human Resources 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. In view of the number of the Company's employees and its current organizational structure, a specific person has not been assigned as a representative to handle the relations with employees.

Employees' job descriptions were developed based on business analyses. Number of employees, on the other hand, was determined according to the units' workloads and on the basis of distribution of tasks in line with the demands of the Company's Groups. Employees are expected to embrace the performance-driven management concept and recognize that their individual involvement will contribute to customers and shareholders. Therefore, Company Performance Evaluation criteria and their printed results are shared with the employees. 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.

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.

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.

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 2013.

A supporter of social solidarity, arts and sport, as well as the sector's development, the Company became the sponsor of Konak Municipality Women's Handball Team in 2013 and provided a support of TL 250,000 for fulfillment of the team's needs in the 2013-2014 season.

İş REIT extended sponsorship support the Regional Education Seminar and the Assembly organized by Karşıyaka Rotary Club from 11 April through 14 April. During the event into which Karşıyaka Rotary Club put much effort and time, 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.

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
Kemal Şahin	Board Member, Non-Executive
H. Cemal Karaoğlu	Board Member, Non-Executive, Independent
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent
Engin Topaloğlu	Board Member, Non-Executive
Mete Uluhurt	Board Member, Non-Executive

Senior Management

Turgay Tanes	CEO
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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 Law, the Capital Market Law and other applicable legislation. The Board of Directors is composed of seven members, two of which are independent.



Corporate Governance Principles Compliance Report

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 28 February 2013, 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.

Aydın S. Önder - Chairman

Mr. 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 and joined İşbank's Board of Inspectors in 1986. After serving in managerial positions at the Galata, Avclar 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 13 April 2011, Mr. Önder has been the Chairman of the Board of Directors of İş REIT since 2011.

M. Kemal Fettahoğlu - Vice Chairman

Mr. 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 assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. Mr. Fettahoğlu has been serving as the head of the Bank'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.

Kemal Şahin - Board Member

Kemal Şahin got his degree in business administration from the Middle East Technical University in 1988, and joined İşbank as an assistant inspector on the Board of Inspectors. Following ten years of service 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. Holding a seat on İş REIT's Board of Directors since 2004, Mr. Şahin is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk. In addition to his duties at İş REIT, Mr. Şahin also holds seats on the Boards of Directors of İş-Koray, a subsidiary of İşbank operating in the real estate development sector, on Mipaş, and İşmer, a management company. He is also a Board Member of Bayek, Antgıda and Erişim, İşbank's subsidiaries active in health, food and customer care sectors respectively.

H. Cemal Karaoğlu - Independent Board Member

Mr. 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 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 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

Having received her bachelor's degree in business administration from the Middle East Technical University in 1988, Ms. 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 1999 to set up the International Capital Markets Department, and was promoted to Executive Vice President in 2003. Ms. Yıldırım 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 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 İş REIT's Board of Directors since 2012; she is also the head of the Corporate Governance Committee and a member of the Committee for Audit.

Engin Topaloğlu - Board Member

Mr. Topaloğlu got his bachelor's degree in industrial engineering from Bilkent University in 1993 and his master's degree in the same department in 1995. Also

in 2011, Mr. Topaloğlu obtained his Ph.D. in finance and banking from Kadir Has University. He started his career in 1995 on the Board of Internal Auditors of İşbank as an auditor. Mr. Topaloğlu worked as Assistant Manager (2004-2007) and Group Manager (2007-2008) in the Budget and Planning Department. He also worked as Department Manager in the Enterprise Architecture Department from 2008 until 2011. Mr. Topaloğlu functioned as an Auditor in İş REIT between 2008-2009 and in İş Investment Company between 2009-2010. He was a Board Member at İş NET Company between 2010-2011. Mr. Topaloğlu currently serves as the Manager of Gebze Branch.

Mete Uluyurt - Board Member

Mr. 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 Assistant Manager in the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, Mr. Uluyurt 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 respectively. He is currently working as Manager of Balmumcu Branch since 2011.

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.

16. 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 incorporation.



Corporate Governance Principles Compliance Report

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 10 times during the period and passed 67 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.

Related party transactions of material nature during the reporting period were as follows: project finance loan in the amount of USD 110 million which was obtained from İşbank, and the decision to purchase the Zeytinburnu property owned by T. Şişe ve Cam Fabrikaları A.Ş. and Anadolu Cam San. A.Ş., upon which a loan of TL 180 million was utilized from İşbank in relation to the purchase of this property. The Board of Directors decisions about these transactions were 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, 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
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 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 Unit, was actively engaged in the review process of the Company's corporate governance rating.

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. During the reporting period, the Committee held 11 meetings and passed 9 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 control system functions effectively; all other aspects of the

independent auditors' activities were also supervised. During the reporting period, the Committee held 7 meetings and passed 8 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. The Committee members are also members of the Committee for Audit and the Corporate Governance Committee and they regularly attend the Committee for Audit meetings. Lately, the Company has been holding the Committee for Audit and Corporate Governance Committee meetings simultaneously; therefore, all committees and members attend the meetings, while coordination between committees is ensured.

18. 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 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.

Furthermore, under Article 378 of the Turkish Commercial Law, an assessment was made of the duties and responsibilities charged 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.



Corporate Governance Principles Compliance Report

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 96% of the total portfolio investments. The main risk inherent in these activities 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 2013, money- and capital-market investments made up only a 4% 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 investments is regularly quantified, and the results of such measurements are compared to predetermined limits and 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 to timely satisfy its contractual obligations, in part or in whole. With respect to real estate leasing/sales

transactions and service purchases involving third parties, the Company acts in a way to minimize its credit risk exposure.

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 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.

19. Strategic Goals of the Company

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 and profit realization.

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.

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.

20. 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, 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. The financial rights provided to the senior management (CEO and Heads of Groups) last year amounted to TL 2,926 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.