



Corporate Governance Rating Report



4 December 2014

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Rating and Executive Summary

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. (ISGYO)

 SAHA
Corporate Governance Rating:

9.09



MAIN SECTIONS: **Avg. 90.92**

Shareholders: 91.02



Public Disclosure&Transparency: 97.60



Stakeholders: 84.35



Board of Directors: 88.89



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of İş Gayrimenkul Yatırım Ortaklığı A.Ş.'s ("İş GYO") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. Our rating methodology (page 6) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

İş GYO is rated with **9.09** as a result of the Corporate Governance study done by SAHA. The company's corporate governance rating has shaped up as above in consideration with the importance given by İş GYO to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

Additionally, İş GYO takes place in the World Corporate Governance Index (WCGI) published by SAHA on July 4, 2014. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com>.

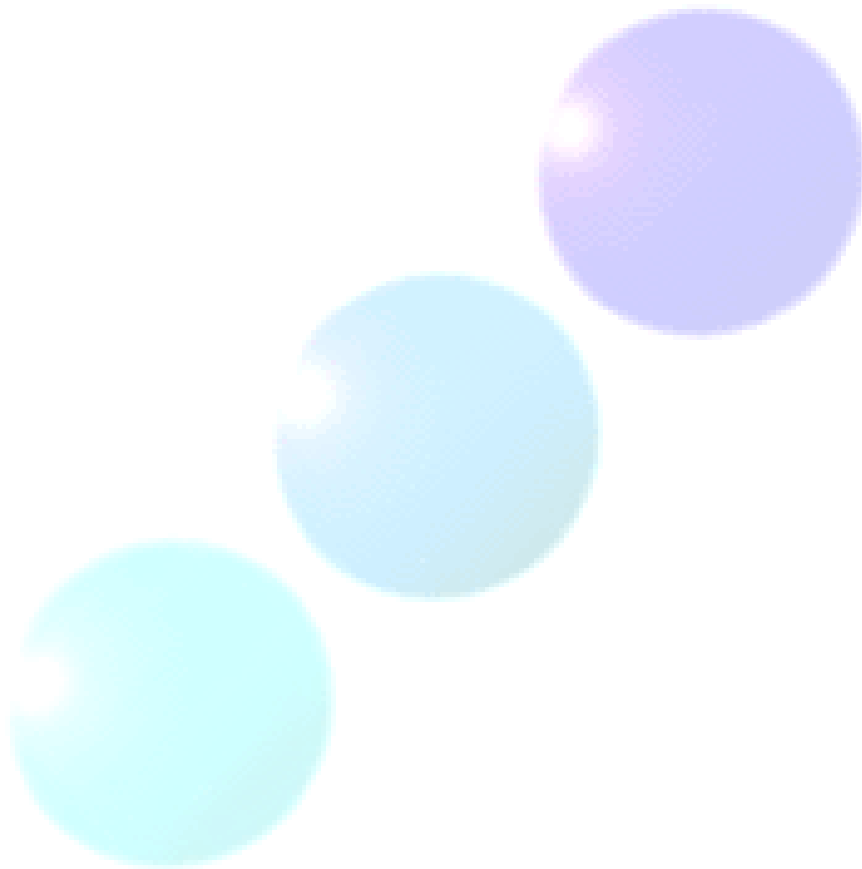
İş GYO is rated with **9.10** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. İş GYO carries out the investor relations obligations through "Investor Relations and Corporate Compliance Division". Privilege to nominate candidates for board membership is parallel to the Real Estate Investment Trusts (REIT) legislation. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a consistent dividend policy of the company and it is disclosed to the public. There are no restrictions on transfer of shares. On the other hand, the rate of minority rights in the company's articles of association is adopted as prescribed for public joint stock companies (%5). The company has constituted a policy on donations and grants and announced it to the public on the corporate web site.

İş GYO attained **9.76** under the **Public Disclosure and Transparency** chapter. There is a comprehensive website that includes all information listed in the "Corporate Governance Principles" pertinent to public disclosure. Public announcements are made via all communications channels and are in accordance with the CMB and Borsa Istanbul (BIST) rules and regulations. The annual report is also comprehensive and informative. There are no ultimate controlling shareholders with a share higher than 5% in the company's capital structure. Benefits provided to board members and senior management is collectively reported in the annual report, although reporting on an individual basis is the targeted principle. Incorporating the assessment of the board of directors on the efficiency of the committees established within the board and the start and end dates of the board memberships in the annual report remains as an area for improvement.

On the topic of **Stakeholders**, İş GYO scored **8.44**. İş GYO guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is effectuated and disclosed to the public on the corporate web site. The company has an effective and comprehensive human resources policy. Models have been developed to support the participation of stakeholders in the management of the company, but not mentioned in the articles of association. Code of ethics is publicly available through the company's web site. Various social responsibility projects have been implemented. There is no lawsuit filed against the company due to any damage to the environment.

From the perspective of the principles regarding the **Board of Directors**, İş GYO's tally is **8.89**. There is a well communicated company mission and vision, and the board fulfills all duties regarding company needs. Chairman of the board of directors and the general manager is not the same person. The board consists of seven members, two of whom are independent. Each board member is entitled to one vote. There are no executive members on the board. CMB criteria are complied with for the appointment of independent members who have each signed a declaration of independence. There is one female member on the board. The company has not prepared a policy or set a timetable to reach the Corporate Governance Principles' advisory target of 25% female board membership rate. Corporate Governance, Audit, and Early Detection of Risk Committees are established within the board of directors. The working principles of the committees are disclosed to the public. Our observations will continue in order to have a more precise view of the activities and the degree of functionality of the committees. Principles of remuneration of board members and senior executives are available on the company's website. Any

damages to the company that may result from the actions of board members during their duty are duly insured. Remuneration of board members and executives with administrative responsibility as well as benefits provided are mentioned collectively in the annual report. Principles dictate reporting on an individual basis.



Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Holding's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.22).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**


Public Disclosure and Transparency: **25%**

Stakeholders: **15%**

Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

İş Gayrimenkul Yatırım Ortaklığı A.Ş.	
	CHAIRMAN Levent Korba GENERAL MANAGER Turgay Tanes
İş Kuleleri, Kule 2, Kat: 10-11 34330 Levent, İstanbul www.isgyo.com.tr	Head of Investor Relations and Corporate Compliance, Risk Management and Internal Control Group Ayşegül Şahin Kocameşe Tel: (0 212) 325 23 50 aysegul.sahin@isgyo.com.tr

İş GYO is one of the leading firms in the real estate sector with its solid portfolio and financial structure. The company is focused on assuring the optimum risk versus return balance for its investors on the back of a diversified and well-balanced portfolio. İş GYO as a REIT carries out its activities in compliance with the requirements of the Turkish Capital Markets Board (CMB) laws and regulations.

İş GYO was originally founded on 6 August 1999 as a result of the merger of two real estate companies: İşbank owned İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. and Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş.. It has completed its initial public offering in the same year and began trading on BIST.

As of 30 September 2014 İş GYO had a market value of 382 million US Dollars, representing 4.5% of the sector. While office stock accounted for the largest part of İş GYO's real estate portfolio with 38%, projects and retail had respective shares of 33% and 27% as of the same date. The share of real estate in total portfolio is 93%. Its annual rental income of \$ 52.3 million is derived from office (59%) and assets in the retail segment (40%).

İş GYO increased its net profit for the period by 77.6% to TL 116.2 million as of year-end 2013. İş GYO has made cash dividend payouts every single year but one since 2004. İş GYO continues to distribute cash dividends consistently every year and therefore is entitled to be included in the BIST Dividend Indexes.

The company shares are traded under "ISGYO" code at BIST Collective Products Market and İş GYO is a constituent of BIST 100 (XU100), BIST All Shares (XUTUM), BIST 100-30 (XYUZO), BIST Real Estate Investment Trusts (XGMYO), BIST Dividend 25 (XTM25), BIST Dividend (XTMTU), BIST Financials (XUMAL) and BIST Corporate Governance (XKURY) indices.

İş GYO's capital structure:

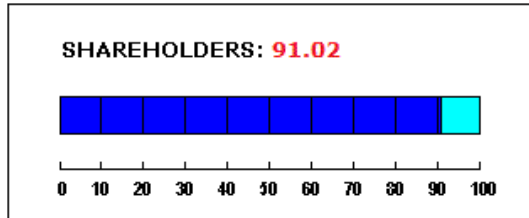
Capital Structure		
Shareholder	Amount (TL)	Percentage %
Türkiye İş Bankası A.Ş.	287,366,968.14	42.23
Anadolu Hayat Emeklilik A.Ş.	48,365,503.42	7.11
Other Shareholders	344,667,528.44	50.66
	680,400,000.00	100.00

According to Central Registry Agency (MKK) data dated 18 November 2014, the free float rate of the company to the capital is 49%. 39% of İş GYO's free-floating shares are held by foreign investors corresponding to approximately 19% of the company's total capital.

The board of directors is composed as follows:

İş GYO Board of Directors	
Name	Title
Levent KORBA	Chairman
M Kemal FETTAHOĞLU	Vice-chairman
D. Sevdil YILDIRIM	Independent Member Corporate Governance Committee Chairwoman Audit Committee Member
Kemal ŞAHİN	Member Corporate Governance Committee Member Early Detection of Risk Committee Member
H. Cemal KARAOĞLU	Independent Member Audit Committee Chairman Early Detection of Risk Committee Chairman
Mete ULUYURT	Member
Engin TOPALOĞLU	Member

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Policy on donations and grants approved at the general shareholders' meeting and disclosed to the public
+	Consistent dividend distribution policy
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
=	No voting privileges, privilege for the nomination of board member candidates is parallel to REIT legislation

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

İş GYO'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" and "Corporate Governance Rating Specialist" licenses.

The Investor Relations Unit plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review information. The unit fulfills the following duties:

- Ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- Respond to the queries of the shareholders requesting written information on the company.
- Ensure that the general assembly meeting is held in compliance with the applicable legislation, articles of association and other company by-laws.
- Prepare the documents that might be used by shareholders in the general shareholders' meeting.
- Supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Prior to each board of directors' meeting, the unit prepares a report to be submitted to the board of directors about the unit's activities during the period, investor's comments and recommendations, and brokerage firms' 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 matter.

Requests for information are met, one-on-one meetings and teleconferences are held at the company headquarters with foreign-domestic brokerage houses along with analysts and fund managers of portfolio management companies. Shareholders are able to request information either by directly contacting the Investor Relations Unit employees or by sending an e-mail to the unit's e-mail 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 brokerage houses at the time of their periodic valuation reviews. 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.

Updated information and explanations that may affect use of shareholders' rights are available on the corporate web site.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor. No such request has been received from shareholders during the rating period.

All kinds of information about the company required by the legislation are provided in a complete, timely, honest, and diligent manner and there is no fine/warning received in this regard.

The company has constituted a disclosure policy, submitted it to the general shareholders' meeting for

approval and disclosed it to public on the corporate web site.

1.3 Minority Rights:

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the company.

1.4. General Shareholders' Meeting:

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting held on 21 March 2014 is performed through all means of communication available to the company on 27 February 2014 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

In addition, the company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the annual report, financial statements and reports, and all other related documents pertaining to the agenda

items along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters of the company and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site:

- a. The total number of shares and voting rights reflecting the company's shareholding structure as of the date of disclosure, privileged share groups within the company capital, voting rights, and nature of privileges.
- b. Information on changes in management and activities of the company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the company operations.
- c. Grounds for dismissal and replacement of board members, candidates' backgrounds and posts held in the last decade, the nature and significance level of the relationship with the company and related parties, independence status and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. Minutes of

the meeting indicate that no such questions were received.

Shareholders were informed that the board members did not engage in any activity within the scope of Article 395 and 396 of the Turkish Commercial Code.

The members of the board of directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements, representatives of the external audit company were present to give necessary information and to answer questions at the general shareholders' meeting.

No proposal was presented to the general shareholders' meeting for approval due to a lack of consent of the majority of independent members.

İş GYO has established a policy on donations and grants and submitted to the general shareholders' meeting for approval. Shareholders were informed that no donations were made within the period and set donation limits for the upcoming period were approved.

The internal guidelines of the general shareholders' meetings allow the attendance of stakeholders and media with no voting rights.

1.5. Voting Rights:

At İş GYO, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no voting privileges. There is a privilege only for the nomination of the candidates for board membership. This privilege is in line with the terms of establishment of Real Estate Investment Trusts as per the Communiqué on the Principles Regarding Real Estate Investment

Companies stating "REITs are not allowed to issue any securities that grant privileges other than shares that grant privilege to nominate candidates for the election of board of directors' membership".

1.6. Dividend Rights:

The dividend policy of İş GYO is clearly defined and disclosed to public on the corporate web site. It is submitted to the approval of shareholders at the general shareholders' meeting and is incorporated in the annual report.

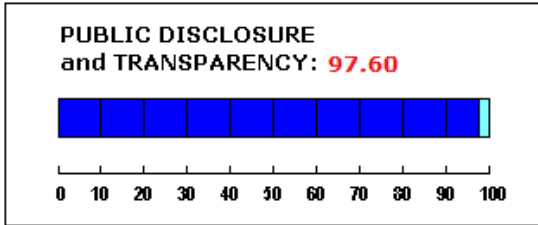
The company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the company. The dividend distribution proposal contained all necessary information.

The articles of association of the company contain a provision on advance dividend payments.

1.7. Transfer of Shares:

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive disclosure policy, disclosed to public on the corporate web site
+	Comprehensive web site, actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	No ultimate controlling shareholders with a share higher than 5% within the capital structure
+	English version of the web site for international investors
+	Remuneration policy established and disclosed to public on the corporate web site
+	Dividend distribution policy disclosed to public via corporate web site
=	Benefits provided to board members and senior executives are mentioned collectively
-	No assessment of the board on the efficiencies of the committees in the annual report
-	Start and end dates of the board memberships are not included in the annual report

2.1. Corporate Web Site:

Company's website is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the company's website includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the company's articles of association, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the company, frequently asked questions and responses thereof.

In this context, information on at least the last five years can be reached on the website.

42% of the issued share capital of 680.4 million TL of İş GYO belongs to Türkiye İş Bankası A.Ş.. Türkiye İş Bankası A.Ş. is the controlling shareholder and as of the date of this report, there are no ultimate controlling shareholders with a share higher than 5% within the capital structure of Türkiye İş Bankası A.Ş..

The information contained on the website exists also in English (identical

to the Turkish content) for the benefit of international investors.

The company's web site also includes; investor presentations, the donation policy, working principles of the committees, important board decisions under the heading of material disclosures, the vision/mission of the company established by the board, information on dividend payments and capital increases for the last 5 years, news area, general shareholders' meeting internal guidelines, social responsibility activities, information on senior management, financial data, main ratio analyses, corporate website disclaimer and terms of use, timetable on events and developments which may interest investors, and the human resources policy.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the company and it covers information such as;

- a. period covered by the report, the title of the company, trade register number, contact information,
- b. the names of the chairman and members served on the board and the committees during the covered period,
- c. the sectors in which the company operates and information on its position in these sectors,
- d. qualifications of the company's units, general explanations related to their activities and performances, and yearly developments,
- e. progress on investments, the eligibility status on incentives,
- f. changes and justifications on the articles of association during the period,
- g. Corporate Governance Principles Compliance Report,

- h. information on related party transactions,
- i. other issues not included in the financial statements, but are beneficial for users,
- j. the company's organization, capital and ownership structure,
- k. all benefits provided to staff and workers, information on number of personnel,
- l. information that no board member was involved in any transactions with the company on their behalf or someone else within the framework of permission granted by general shareholders' meeting along with their activities within the scope of restraint of trade,
- m. explanations on privileged shares,
- n. the dividend distribution policy,
- o. basic ratios on the financial position, profitability and solvency,
- p. the company's financing resources and risk management policies,
- q. information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the content specified in the legislation, the following also took place in the annual report:

- a. external duties of board members and executives,
- b. declaration of independence of the related board members,
- c. members of the committees within the board, their meeting frequency and assessment of their working principles,
- d. the number of board meetings held during the year and participation rate of the members,
- e. changes in legislation which could significantly affect the company's operations,
- f. major court cases against the company and possible consequences,

- g. information on the fact that there is no cross shareholding in excess of 5% of the capital,
- h. benefits and vocational training of employees, and other company activities that give rise to social and environmental results,
- i. rating results,
- j. application status of the corporate governance principles as required by the CMB communiqué, explanations on reasons behind any non-compliance.

directly or indirectly in management or capital provided any consulting services during the same period.

On the other hand, benefits provided to board members and senior executives are mentioned collectively. Best practice of Corporate Governance Principles dictate that this information should be available on an individual basis. Additionally, assessment of the board of directors on the efficiency of the committees and start and end dates of the board memberships can also be included in the annual report.

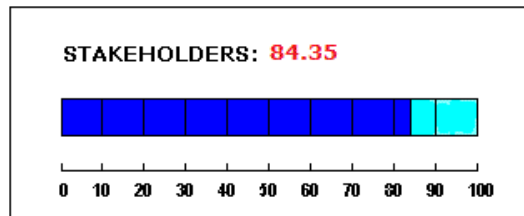
2.3. External Audit:

The external audit of the company is conducted by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş..

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared by the company officials that there has been no legal conflict between the company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. No consulting company in which the external audit firm is in a dominant position either

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources policy
+	Stakeholders' views are taken on important decisions that affect them
+	Code of ethics disclosed to the public
+	Company is socially and environmentally sensitive and respectful
+	A written employee compensation policy is disclosed to the public on the web site
+	Social responsibility projects implemented
=	No provision in the articles of association regarding the participation of stakeholders in the management of the company despite the existence of certain incentive models

3.1. Company Policy Regarding Stakeholders:

İş GYO recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the company protects the interest of stakeholders under good faith principles and within the capabilities of the company. Effective and

expeditious compensation is provided in case of violation of the rights.

The corporate web site of the company is also actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance implementation of the company ensures that its stakeholders, including its employees and representatives, report their concerns regarding any illegal or unethical transactions to the management.

Company employees can convey any transaction that contradicts with the legislation and is ethically inappropriate to the Audit Committee and the Audit Unit. An "Ethic Line" is set up 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 e-mail account has been assigned for this line and its address has been announced on the corporate website.

In addition, a documented compensation policy is established and disclosed to the public on the corporate web site.

3.2. Stakeholders' Participation in the Company Management:

Although there is no formal model established for direct participation of stakeholders other than employees in management, keeping all lines of communication open and eliminating all possible encumbrances are fundamental principles embraced to

allow participation of company employees 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. These meetings 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.

However, these models and applications are not incorporated in the articles of association.

3.3. Company Policy on Human Resources:

The company has a documented human resources policy.

Recruitment and career planning are conducted on the basis of equality and transparency is ensured. These activities are carried out in line with the relevant provisions of Recruitment and Human Resources Regulations.

The company has an organizational structure based on a grading system running parallel to seniority. In addition, training sessions are organized and details are included in the Training Regulations.

Recruitment activities are carried out within the scope of Recruitment Charter. Competencies required for each position are determined within the scope of the project conducted in 2012 together with a human resources consulting firm and have been in effect since then in all recruitment activities.

Job Descriptions are defined for all positions and their revisions are made at regular intervals.

Performance and reward criteria are available to all employees through the "Performance Evaluation Form" and principles are specified in the Human Resources Regulations.

Training programs are conducted in line with the Training Regulations to improve employee knowledge, skills and experience. Employees are treated fairly on all rights provided by the company, including training.

Coordination meetings are organized on a regular basis with the participation of top management to share information on issues such as financial position of the company, remuneration, career, training and health. Following the meetings, senior managers inform their respective Groups on related issues on a regular basis.

All kinds of fundamental changes regarding employees are communicated to them primarily via e-mail as an "Information Memo" and then the written text is presented in order to get their written acceptance. All other issues that may concern employees are provided to them via e-mail.

The company's remuneration policy is based on grading and seniority rather than efficiency. Efficiency is taken into account in the calculation of fringe benefits and employees are entitled to "Productivity Allowance" following their performance evaluations. There are no share participation plans for the employees.

Protective measures against race, religion, language and gender segregation, in-house physical, mental and emotional abuse are specified in the relevant regulations within the frame work of Code of Ethics in all

internal and external activities of the company (Human Resources Regulations, Recruitment Regulations and Training Regulations).

Safe working conditions and environment are provided for the employees. Necessary inspections as required by the Occupational Health and Safety Act No. 6331 are performed by Joint Health and Safety Unit specialists. Related training is provided at regular intervals by experts under the organization of Training and Development Unit. No occupational accident has occurred in the past year.

There has been no attempt at İş GYO to form an association or to get involved in a collective bargaining agreement, and no such demand was received by the company. There is no labor union at the company.

3.4. Relations with Customers and Suppliers:

İş GYO has taken all necessary precautions to attain customer satisfaction in the sales and marketing of its products and services.

Correct and complete information is provided to customers in marketing and sale of company services. Care is taken for all related documents, printed and visual materials to reflect all features of the product to achieve customer satisfaction. Appointment of competent and relevant staff is secured to provide contact with customers for all matters pre-sales, during sales and after sales.

Contractual or non-contractual demands, requests and grievances of individuals and legal entities which the company is related to with either lease agreements or Real Estate Sales Contracts are transmitted to relevant committees through Corporate Communications, Sales, Leasing and

Marketing Group and solution-oriented suggestions are discussed and finalized in these committees.

İş GYO is working with leading construction companies of Turkey in projects carried out to provide top real estate quality to buyers or tenants. Its staff conducts routine controls to insure that the materials used at construction sites are up to par with the promised quality.

Within the framework of protection of trade secrets, care is taken on the confidentiality of information about customers and suppliers.

3.5. Ethical Rules & Social Responsibility:

The ethical rules of İş GYO is publicly disclosed on the corporate web site.

The company carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility apprehension.

In this regard, İş GYO has undertaken the sponsorship of various sports teams, social clubs, sectorial conferences, professional and educational activities and art projects. It has also provided direct or indirect (through related associations) financial support to countries which have sustained natural disasters.

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

A complete list of these activities and details can be accessed from the company's corporate website.

İş GYO complies with legal and environmental values in all of its activities. No lawsuits were filed against the company on account of any harm done to the environment during the reporting period.

3.6. Sustainability:

In the real estate projects, depending on their concept and size; Environmental Impact Assessment (EIA) report is obtained to evaluate the environmental impact in terms of use of natural resources, amount of waste, etc. and projects are carried out within the scope of requirements outlined in this report. Use of ISO14001 Environmental Management System certified equipment is targeted.

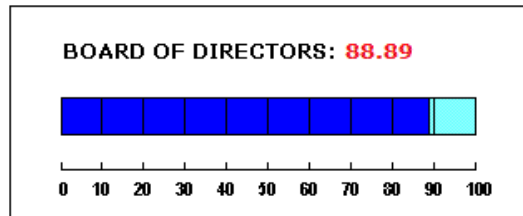
Carbon emissions are minimized in the projects by use of natural gas-fired boilers and flue gas analyzers.

The company endeavors to be qualified to receive LEED certification for structures developed in commercial real estate projects. Most of the lighting fixtures are selected from long-lasting and low energy consuming LED fixtures and, as much as possible, obtained from local suppliers. Unnecessary energy consumption is prevented through automation systems. Use of renewable energy sources is sought by using solar energy in housing projects through photovoltaic panels. Computerized automation systems are used in buildings which ensure optimal energy use by monitoring energy consumption areas. Energy consumption is minimized by using frequency converters with high energy-consuming equipment. Mechanical - electrical devices are selected to achieve the highest efficiency.

Compliance with the provisions of the relevant regulations on occupational safety and health, environmental and

noise pollution is sought in the contracts signed with prime contractors. Occupational safety and environmental awareness in construction projects is in fact under the responsibility of the contractor and third party "occupational health and safety companies" consultancy services are used.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Two independent and no executive members on the board
+	Corporate Governance, Audit, and Early Detection of Risk Committees are established and functional
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
+	Chairman of the board and general manager is not the same person
+	Each member has a right to a single vote
+	The conduct of the board of directors meetings is defined in internal regulations and meeting and decision quorums have been included in the articles of association
=	One female member on the board
=	One board member taking part in two committees
=	Any potential losses incurred by the company and third parties as a result of misconduct by executives are insured
-	No policy established, no target or timing set for a minimum 25% female board membership rate
-	Remuneration and benefits

provided to board members and to managers with administrative responsibility is not explained on individual basis

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage the company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the company. The board administers and represents the company within these parameters.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

4.2. Principles of Activity of the Board of Directors:

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report. The board of directors established various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the committees. In this context, the board reviews the

effectiveness of risk management and internal control systems four times a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report. Chairman of the board and general manager's executive powers are separated and this separation is documented in the articles of association. There is no individual in the company who has unlimited authority to take decisions on his/her own.

The board of directors plays a leading role in maintaining effective communication between the company and the shareholders and settling any disputes which may arise and works in close coordination with the Corporate Governance Committee and Investor Relations and Corporate Compliance Division.

Defects and damages that may be caused by the board members during the execution of their duties have been insured.

4.3. Structure of the Board of Directors:

The company's board of directors is composed of seven members and none of them is executive. There are two independent members who have the ability to execute their duties without being influenced under any circumstances.

No upper limit for the number of independent board members is mentioned in the articles of association. Tenure of office for independent members is designated as 1 year.

The Corporate Governance Committee did prepare a report on the candidates nominated by the board and shareholders, by taking into

consideration whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There is one female member on the board. The company has not yet prepared a policy or set a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female board membership rate.

4.4. Conduct of the Meetings of the Board of Directors:

Board meetings take place with sufficient frequency. The board of directors convened 8 times during the reporting year and passed 75 resolutions. Members allocate sufficient time for all of the company's business and participate in every meeting.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the general manager. Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date.

Each member is entitled to a single vote.

The conduct of the board of directors meetings is documented in internal regulations and meeting and decision quorums have been included in the articles of association of the company

There are no certain rules or limitations for board members taking on additional duties as executives

and/or board members outside the company. İş GYO has declared that this does not lead to any conflict of interest.

Shareholders are informed of external duties of the board members through the annual report and Corporate Governance Compliance Report

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit, and Early Detection of Risk committees are established from within the board of directors in order to fulfill its duties and responsibilities duly.

Functions of the committees, their working principles, and its members are designated by the board of directors and disclosed to public on the corporate web site as well as the Public Disclosure Platform.

All members of the Committee for Audit are elected among the independent board members. Also the chairmen of the Corporate Governance Committee and the Committee for Audit are elected among the independent board members. The Corporate Governance Committee has three members, while the other committees are composed of two members each. The chairman of the board and the general manager is not on the committees. With the exception of the head of Investor Relations and Corporate Compliance Division who serve on the Corporate Governance Committee as per corporate governance principles, there are no other executive members on the committees. A non-independent member of the board is a member of two committees simultaneously.

All necessary resources and support needed to fulfill the tasks of the committees are provided by the board of directors. Committees can invite

any manager as they deem necessary to their meetings and obtain their views.

The frequency of committee meetings is sufficient, all activities are documented and records are kept. Reports containing information about the activities and the results of the meetings are submitted to the board of directors.

Committee for Audit, supervises the operation and efficiency of the company's accounting system, public disclosure of financial results, external and internal audit systems; reviews complaints received by the company regarding accounting, internal and external audit systems and finalizes them; within the framework of the principle of confidentiality, identifies methods and criteria to be applied when employees convey their concerns about accounting and external audit systems; notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations; pursuant to the opinion of responsible managers of the company and the external auditor, notifies the board in writing on whether the annual and interim statements disclosed to public comply with the company's accounting principles, and are true and accurate. The committee has convened five times during the course of reporting period.

Committee for Audit members possess the qualifications mentioned in the Corporate Governance Principles communiqué.

The annual report contains information on activities and meeting resolutions of the Committee for Audit and number of written reports given to the board of directors in the reporting period.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the audit committee to the board and ends with the board's choice being presented and approved at the general shareholders' meeting. In addition to this, İŞ GYO has an external auditor election policy in place.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of Investor Relations and Corporate Compliance Division.

The Corporate Governance Committee assumes the duties of the Nomination Committee and Remuneration Committee, as they are not established. The proposals for independent board membership candidacy are evaluated by taking into consideration whether the candidates possess the criteria for independence under the applicable legislation and these assessments are documented. The committee charter has been revised within the reporting period.

Creation of a transparent system for identification, evaluation and training of suitable candidates for the board of directors and determination of policies and strategies in this respect as well as regular evaluation of the structure and productivity of the board of directors and submission of its recommendations to the board members on changes that can be implemented on these matters have all been designated as the responsibilities

of the committee in its charter. We will continue observing the level of functionality and efficiency of the committee regarding such responsibilities.

The Corporate Governance Committee has discussed the remuneration package of the board members and documented its recommendation. A remuneration policy determining the basis and fundamentals for remuneration of board members and executives with administrative responsibility is established and disclosed to public on the corporate web site.

Updating, changing and re-evaluating the necessary principles, criteria and applications used for remuneration in the upcoming periods and submission of views to the board of directors will be monitored closely by us.

The Early Detection of Risk Committee carries out its tasks towards early detection of risks which may jeopardize the company's assets, its development and progress, and measures taken to mitigate and manage those risks. It reviews risk management systems at least once every two months.

4.6. Remuneration of the Board of Directors and Senior Management:

The board of directors explained in the annual report whether the operational and financial targets disclosed to the public are met or not, along with reasons behind possible shortcomings. The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting held in 2012. A remuneration policy prepared for this purpose can be found on the company's web site.

Stock options or performance based payments are not included in the remuneration package of the independent board members. Their remuneration is designated at a level to maintain their independence

İş GYO does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives possess the required professional qualifications in order to perform the assigned duties. They comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There has been no cases where the executives used confidential and non-public company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the company's affairs, and provided unfair advantage.

Losses that may be incurred by the company as a result of misconduct by the executives during the execution of their duties are insured.

Remuneration of the executives complies with the code of ethics, internal balances and strategic goals of the company and is not based on short term performance.

Remuneration of board members and executives with administrative responsibility as well as benefits provided are reported collectively in the annual report. Corporate governance principles dictate reporting on an individual basis.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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