

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

İş REIC 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 care to maximize its adherence with regards to all 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.

Corporate governance rating of our Company has been revised as "92.74" based on the review performed in 2015 by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) for the assessment of the Company's compliance degree with the Corporate Governance Principles. The Company was given the following ratings in the four main sections: Shareholders 91.49, Public Disclosure and Transparency 98.19, Stakeholders 94.62, Board of Directors 88.93.

The rating report prepared by SAHA upon the period review is posted on the Company website in the "Investor Relations" section, under the heading "Financial Data and Reports".

The Company's Corporate Governance Principles Compliance report is also available on the Company website in the "Investor Relations" section, under the heading "Financial Data and Reports".

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Company's "Investor Relations Department" has been active since 28 January 2005 within the relevant regulations of the CMB. Prior to each Board meeting, the Department prepares a report to be submitted to the Board of Directors about the Department's activities during the period, investors' and brokerages' remarkable assessments and analyses. The Department manager physically participates in the Board of Directors meetings. Serving as a bridge between the Department and the Board of Directors, the Corporate Governance Committee, which actively oversees the Department's activities, meets prior to each Board meeting, and evaluates the activities carried out by the Department during the reporting period. Following the meeting, presentations about the topics that have been discussed in the Board meetings are shared with the Board of Directors. As indicated in the operating principles of the committee, the Investor Relations Department also handles the secretarial tasks of the Corporate Governance Committee.

The Company's Investor Relations Department operates under the name "Investor Relations and Corporate Compliance" within the "Investor Relations and Corporate Compliance, Risk Management Group". The Department manager is Ayşegül Şahin Kocameşe, Head of the Investor Relations and Corporate Compliance, Risk Management Group. The Department manager holds Capital Market Activities Level 3 License and Corporate Governance Rating License. The Department manager serves as a member of the Corporate Governance Committee in accordance with Article 11 of the Corporate Governance Communiqué. The manager of the Investor Relations Department, being a member of the Corporate Governance Committee, participated in all of the Committee meetings held during the year, provided information to the Committee about the Department's activities and the material developments that took place during the reporting period, and took active part in the improvement and rating of corporate governance practices.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

Investor Relations Department consistently and effectively manages matters related to the conduct of General Assembly Meetings, and particularly those related to the exercise of shareholders' rights, public disclosure and provision of company-related information, as well as share capital increases and the Company's rating processes.

During the reporting period, the Investor Relations Department held one-on-one meetings with domestic and international investment companies at the Company's headquarters, took part in the investor conference organized by brokerages in London, UK and in the roadshows organized in Warsaw, Poland and in Copenhagen, Denmark, and had contacts with nearly 80 people from more than 60 investment companies.

The majority of parties met with during the reporting period consisted of foreign brokerages' and asset management companies' analysts and fund managers, and the analysts and fund managers of domestic investors.

During the year, the Investor Relations Department responded to more than 400 queries, most of which were received by e-mail. Comprehensive information requests received from local, foreign, individual or institutional investors were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy. About 80% of all requests for information were received from institutional investors; the remaining 20% consisted of individual queries.

Shareholders may convey their information requests by contacting the Investor Relations Department employees directly or by sending an email to the Department's email address or using the contact form available on the website. Shareholders usually contact the Department employees directly or via the Department's email account, and rarely use the contact form on the website.

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

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

2.2. Exercise of Shareholders' Right to Obtain Information

İş REIC's Information Policy is based on transparency and fairness, and the Company adheres to İş REIC 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 number of shares held thereby.

The Company's Information Policy was publicly disclosed and made available on the company website for the information of all shareholders and stakeholders. The policy is reviewed regularly in view of the applicable regulations and the Company's changing needs.

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

During the reporting period, comprehensive information requests and queries received from any number of local, foreign, individual or institutional investors have been responded to, observing particularly the legislation and the Company's Information Policy, as well as all other considerations relating to public disclosure. Necessary records in relation to written and oral information requests and the responses provided to them are regularly kept by the Investor Relations Department.

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

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

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

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

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

2.3. Information about the General Assembly

The Annual General Assembly of Shareholders for 2014 convened on 23 March 2015 at the address İş Kuleleri, Kule 1, Kat: 41 Levent-Beşiktaş/İstanbul with 62.09% attendance, of which 61.68% were acting as proxies and 0.41% were acting in person. Besides shareholders, all Members of the Board of Directors participated in the meeting, as well as an authorized person from the independent audit firm and Company employees. Neither the Company's articles of association nor the Company's internal directive on the operating principles and procedures of the General Assembly contain any provisions precluding the media from attending the General Assembly. Although they were invited in the general assembly announcement, no members of the media attended the General Assembly.

Under the relevant requirements of the Turkish Commercial Code and the Ministry of Customs and Trade, the Company's General Assembly Meeting for 2014 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 in particular, and the provisions of the applicable capital market legislation and the Turkish Commercial Code (TCC) in general; the invitation for the meeting, including the agenda and sample proxy form, were published on the corporate website, Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), and in two national newspapers. In addition to the announcements on the Public Disclosure Platform, invitation for the meeting was also made via the Electronic General Meeting System (e-GEM) and the e-Company (Companies Information Portal) of the MKK; documents pertaining to the General Assembly were also uploaded to e-GEM. In order to ensure that both Turkish and foreign investors were informed about meeting matters in advance, a "General Assembly Informative Document" was prepared in Turkish and English. This document, as well as the proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors along with the invitation were all published on the Company website. The 2014 Annual Report was made available at the Company's headquarters and on the website for investor review 21 days before the meeting date. All documents prepared in relation to the General Assembly were also uploaded to the MKK's Electronic General Meeting System.

When preparing the agenda, the Board of Directors pays attention to take into consideration the matters communicated in writing by shareholders to the Company's Investor Relations Department for their incorporation in the agenda. At the time the agenda for the 2014 Annual General Assembly was being prepared, no such requests have been received by the Company.

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

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

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

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

As per article 19 of the Capital Market Law, the limit of the donations to be made by a company is to be set at the General Assembly. Under İŞ REIC's Company Donations Policy, the donation budget set aside for the Company's donations during 2015 and approved by the General Assembly is TL 115,000. The Company did not make any donations in 2015. This matter will be presented for the information of the shareholders in the General Assembly to be convened for the year 2015 pursuant to the Corporate Governance Principle numbered 1.3.10 and Article 6 of the CMB's Communiqué on Dividends (II-19.1).

For the purpose of contributing to the development of the sector, the Company was a sponsor of the European Real Estate Sector 22nd Annual Conference hosted by Istanbul Technical University Faculty of Architecture between 24-27 June 2015 and extended a support of EUR 5,000 under the "gold sponsorship" category. A not-for-profit organization constituted by research societies, academic researchers, practitioners and doctoral students engaged in real estate, the European Real Estate Sector (ERES) is dedicated to promoting and advancing the real estate discipline and specifically property based research, and to creating a communication network between academics and professionals.

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

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

2.4. Voting Rights and Minority Rights

The Company's capital is divided into 746,000,000 shares, which are made up of Group A shares that correspond to TL 1,065,714.29 and Group B shares that correspond to TL 744,934,285.71. Group A shareholders have the privilege of nominating candidates to the Board of Directors elections. One Member of the Board of Directors is elected from among the candidates nominated by Group B shareholders, with all of the remaining Members being elected from among the ones nominated by Group A shareholders. Candidates for the Board of Directors are presented for the information of the shareholders during the General Assembly and are appointed by the decision adopted in the General Assembly.

Article 14 of the CMB Communiqué on the Principles Regarding Real Estate Investment Companies (III-48.1) sets out that shareholders in a REIC may issue shares incorporating the privilege of nominating candidates for election of Board Members. REICs are not allowed to issue any securities that grant privileges other than the one to nominate candidates to the election of Board of Directors membership. Accordingly, the Company's articles of association contain no privileges regarding voting.

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

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

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

2.5. Entitlement to Dividends

The Company's Dividend Policy is presented in the annual report and on the corporate website, under the "Policies" tab beneath the heading "Corporate Governance" in the "Investor Relations" section.

The Dividend Policy of the Company is presented below:

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

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

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

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

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

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

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

At the Annual General Assembly for 2014 fiscal year, it was decided to distribute dividends in the total amount of TL 113,228,000 to shareholders, breaking down as cash dividends worth TL 47,628,000, so that TL 0.07 (gross=net) (7%) dividend will correspond to each share with a nominal value of TL 1, and bonus shares worth TL 65,600,000. Cash dividend payout to shareholders was completed on 27 March 2015 and bonus share distribution on 22 May 2015.

The Board of Directors' proposal for dividend distribution in relation to 2015 period profit will be submitted to the approval of shareholders at the Annual General Assembly for 2015 fiscal year.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

2.6. Transfer of Shares

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

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Internet Site and Its Content

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

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

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

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

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

3.2. Annual Reports

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

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

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

PART IV - STAKEHOLDERS

4.1. Keeping Stakeholders Informed

Open and honest communication channels have been established with Company employees and other stakeholders, with attention paid to ensure that all stakeholders are kept informed about issues that concern them. The Company pays due attention to protect the rights of stakeholders regulated by legislation and mutual contracts in its activities and transactions. In addition, the rights of all stakeholders are protected within the frame of the Code of Ethics published by the Board of Directors.

The sanctions applicable to Company employees with respect to adherence to Code of Ethics take place in internal guidelines. Company employees can convey any transaction that contradicts with the legislation and are ethically inappropriate to the Audit Unit. An Ethics Hotline was set up, which will be used for stakeholders to convey any transactions deemed to contradict with the laws or the Company's ethical values to the Committee for Audit made up of Independent Board Members. An email account has been assigned for this line and email address has been announced on the corporate website.

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

4.2. Stakeholder Participation in Management

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

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

Internal meetings are held, which are attended by Company employees when necessary, and they play a significant role in the decision-making process of senior management.

Expectations and demands from all stakeholders involved with the Company are addressed on the basis of Code of Ethics and resolved through mutual communication. Contractual and other demands, requests and problems of real and legal persons, which the Company is dealing with in relation to rental agreements or promise to sell real property agreements, are forwarded to the Company's relevant committees through the Corporate Communications, Sales, Leasing and Marketing Group, and solution-oriented suggestions are discussed and decided on by these committees.

4.3. Human Resources Policy

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

In line with the objectives and strategies specified 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 in accordance with the said regulation.

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 they work together with their managers to position themselves, gain access to self-development and manage their career objectives.

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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4.4. Code of Ethics and Social Responsibility

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

While headed towards generating high returns for its shareholders, which is a key objective, İŞ REIC 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.

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

No lawsuits were brought against the Company during the reporting period, which might affect the Company's financial status and operations.

Believing that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İŞ REIC continued to support the sector's development and social solidarity in 2015.

For contributing to the development of the sector, the Company was a sponsor of the European Real Estate Sector 22nd Annual Conference hosted by İstanbul Technical University Faculty of Architecture between 24-27 June 2015 and extended a support of EUR 5,000 under the "gold sponsorship" category. A not-for-profit organization constituted by research societies, academic researchers, practitioners and doctoral students engaged in real estate, the European Real Estate Sector (ERES) is dedicated to promoting and advancing the real estate discipline and specifically property based research, and to creating a communication network between academics and professionals.

In addition, İŞ REIC 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 V-BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Board of Directors:	
Levent Korba	Chairman, Non-Executive 23.03.2015-24.03.2016
M. Kemal Fettahoğlu	Vice Chairman, Non-Executive 23.03.2015-24.03.2016
H. Cemal Karaoğlu	Board Member, Non-Executive, Independent 23.03.2015-24.03.2016
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent 23.03.2015-24.03.2016
Mete Uluyurt	Board Member, Non-Executive 23.03.2015-24.03.2016
Süleyman H. Özcan	Board Member, Non-Executive 23.03.2015-24.03.2016
Murat Doğan	Board Member, Non-Executive 23.03.2015-24.03.2016
Senior Management:	
Turgay Tanes	CEO

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

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, the Corporate Governance Committee evaluated the candidacy of two individuals to serve as independent members on the Board of Directors during the reporting period. The Corporate Governance Committee prepared evaluation reports establishing whether the candidates possessed the criteria of independence on 16 March 2015, and submitted them to the Board of Directors on the same date. 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 28.

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.

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

Levent Korba - Chairman

23.03.2015-24.03.2016

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

M. Kemal Fettahoğlu - Vice Chairman

23.03.2015-24.03.2016

M. Kemal Fettahoğlu got his degree in economics from the Middle East Technical University in 1990 and joined İşbank the same year as an assistant specialist in the Strategic Planning Department. After pursuing graduate studies in finance in London in 1997-1998, he worked as the Finance Manager and Capital Markets and Asset Management Manager at Petrol Ofisi from 2000 through 2003. He also assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. Holding an in-group position in addition to his office as the Vice Chairman of the Board at İş REIC, Mr. Fettahoğlu has been serving as the head of İşbank's Construction and Real Estate Management Division since October 2011. Having been a member of İş REIC's Board of Directors since 2012, Mr. Fettahoğlu also holds a seat on the Board of Directors of Altınhas.

H. Cemal Karaoğlu - Independent Board Member

23.03.2015-24.03.2016

H. Cemal Karaoğlu got his bachelor's degree in 1987 and his master's degree in 1991 in civil engineering from the Faculty of Engineering at the Middle East Technical University. He started his career under a research program at Imperial College in 1988. He worked as a project engineer at Yüksel Proje Uluslararası A.Ş. from 1989 to 1993. He was a board member at Başarı Yatırımlar Sanayi ve Ticaret A.Ş. from 1993 to 2003 and at Yüksel Proje Uluslararası A.Ş. from 2003 to 2008. He functioned as an engineer and executive in various fields, including constructional drawings, control services, and investment consultancy. He does not hold an in-group position apart from his seat on the Board of Directors at İş REIC. Serving as Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008, he is also on the Board of Directors of Başarı Yatırımlar San. ve Ticaret A.Ş. Holding a seat on İş REIC's Board of Directors since 2010, Mr. Karaoğlu also heads the Committee for Audit and the Committee for Early Detection of Risk.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

D. Sevdil Yıldırım - Independent Board Member

23.03.2015-24.03.2016

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

Mete Uluurt - Board Member

23.03.2015-24.03.2016

Mete Uluurt 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. Uluurt was appointed as an Assistant Manager to the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, he worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department and as Unit Manager in the Department of Strategy and Corporate Performance Management. Holding an in-group position in addition to his seat on the Board of Directors at İş REIC, Mr. Uluurt is currently working as Manager of Balmumcu Branch, to which position he was appointed in 2011.

Süleyman H. Özcan - Board Member

23.03.2015-24.03.2016

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

Murat Doğan - Board Member

23.03.2015-24.03.2016

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

Turgay Tanes - CEO

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

5.2. Operating Principles of the Board of Directors

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

A Board of Directors Secretariat has been set up at the Company. This unit is responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decisions, coordinating communication among Board Members, and performing similar functions.

The Board of Directors convened ten times during the period and passed 67 resolutions. All Board Members attended all of the Board meetings but one during the reporting period. Except for twelve decisions, all decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes.

No Board Member enjoys any special voting rights and/or has the power to exercise a veto.

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

5.3. Number, Structures and Independence of the Committees Established Under the Board of Directors

As required both by the Capital Markets Board's Corporate Governance Principles and by the Company's Board of Directors Operating Principles, there are three committees within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. These committees are headed by Independent Board Members. All of the members of the Committee for Audit are Independent Board Members as per the legal requirement. The heads and members of committees are presented below.

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

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

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board Members were assigned and elections to committee seats were held as required by CMB Corporate Governance Communiqué, which were then publicly announced.

Neither a Nominating Committee nor a Remuneration Committee has been set up. The functions of these committees are performed by the Corporate Governance Committee.

A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and responsibilities incumbent upon it under Corporate Governance Principles. This Committee regularly reviews the Company's corporate governance practices and it strives to make improvements in them. During the reporting period, this Committee, along with the Investor Relations Department, was actively engaged in the review of the Company's corporate governance rating. At regular intervals, the Committee reviews the Company's investor relations activities and strategies, and ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the Committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. It is a principle of the Corporate Governance Committee to meet before the meetings of the Board of Directors; however it may also convene more frequently as circumstances require. During the reporting period, the Committee held 14 meetings and passed 12 decisions.

In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit actively works in such matters as publicly disclosing the Company's financial statements, having independent audits conducted, and ensuring that the Company's internal systems function effectively; all other aspects of the independent auditors' activities were also supervised. During the reporting period, the Committee held 4 meetings and passed 4 decisions.

In accordance with the CMB's rules and regulations concerning corporate governance, the Committee for Early Detection of Risk has been set up to early detect the risks that may threaten the Company's existence, development and survival, to implement the necessary measures for identified risks and to manage the risks. It is also charged with conducting reviews of the risk management systems at least on an annual basis. Through the reports issued and activities carried out during the reporting period, the Committee played an active role in the identification and analysis of important risks inherent in the Company's operations, ensured that necessary information was provided to the Board of Directors with respect to monitoring the risk limits, and increased the efficiency of the Company's risk systems. During the reporting period, the Committee held 3 meetings and passed 1 decisions.

5.4. Risk Management and Internal Control Mechanism

The Company's risk management activities are being carried out by the Risk Management Unit since 2005. This Unit reports to the Company's senior management in relation to the management of the risks inherent in the Company's operations within the frame of the Company's Risk Policy and other associated internal guidelines.

The Board of Directors and the Committee for Early Detection of Risk are kept informed about the Company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the Company's business sector, key financial indicators, and the results of the unit's analysis and assessment of the risks that are inherent in the Company's activities. Detailed information is provided about business environment risk, a category of operational risk that the Company is particularly exposed to.

Furthermore, within the scope of the duties and responsibilities charged to the Committee for Early Detection of Risk and the Board of Directors under article 378 of the Turkish Commercial Code no. 6102, a "Committee for Early Detection of Risk Report" is prepared on a bimonthly basis and submitted to the Board of Directors for its information.

The "Company Risk Catalogue" that covers all of the risks inherent in the Company's activities are updated as dictated by changing market and business conditions, new types of risks are defined, potential risks are identified, and risk mitigation measures are proposed. These efforts are intended to enable senior management to take whatever measures are needed to ensure that the Company's risks are effectively managed and develop necessary control systems.

Within the scope of portfolio management activities, the Company invests both in money and capital market instruments. At the end of the reporting period, the investments in the real estate sector made up 97% of the total portfolio investments. The main risk inherent in these investments is the business environment risk. These risks include external factors such as changes in the regulatory framework and practices with a potential impact upon the Company's activities and the supply/demand situation in the sector. The Company adopts the necessary measures, makes use of the control systems and monitors the effectiveness of these systems, in order to minimize the risks that might arise from the business environment.

As of 31 December 2015, money and capital market investments made up only a 3% share of the overall investment portfolio. These investments are exposed to an inherent market risk, which is regularly analyzed and monitored using the methods and principles set by the management, and the results are reported to the senior management.

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

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

The internal control system is set up to review, control, monitor and assess the Company's activities, along with the fitness, adequacy and effectiveness of these controls in relation to these activities. The results are reported to relevant units. The Company's internal control activities are carried out by the Audit Group, and the internal control system has adopted a risk-focused approach to control. The controls developed to minimize and eliminate the risks inherent in the Company's operations and the adequacy of these controls make up the basis of the internal control activity.

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

5.5. Strategic Goals of the Company

Having diversified its portfolio by investing in office, retail sector and real estate projects, the Company's strategy is to capitalize on investment opportunities that will arise in areas that will increase the Company's profitability and its revenues of a continuous nature alike, and provide maximum benefit to its shareholders. Accordingly, the Company aims to capture the ideal balance between real estate investments that will generate regular income and those on which development profit will be derived in parallel with the conjuncture.

In line with this aim, mixed-use project concept that covers both residential and commercial units in the projects that are being developed is given emphasis, thereby rendering the benefit derived on rental activities continuous, while also intending to generate high returns and profitability on the sales.

Within the frame of the fundamental strategies described above, the Company's top priority in 2016 will be to bring its ongoing investments to completion within the projected timelines, to capture the targeted lease and sales figures, and to carry on with project developments that will result in optimum use and benefits on properties included in its portfolio.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Besides all these activities, a close eye will be kept on investment opportunities relating to projects and real estate properties that will secure the Company's organic and income growth.

When planning for 2016 and following years, risks that may stem from the operating environment are also taken into consideration, and the lowest risk / maximum benefit balance is observed in investment and funding decisions.

The Board of Directors regularly monitors the actualizations within the frame of strategic goals, revises the targets as and when called for by new circumstances, and shapes investment and financing decisions accordingly.

5.6. Financial Rights

Pursuant to Corporate Governance Principles, the remuneration principles for the Board Members and executives with administrative responsibility are put into writing and presented for the information of shareholders at the General Assembly. The Company's Remuneration Policy is available on the Company's website, under "Policies" under the heading "Corporate Governance" in "Investor Relations" section.

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

The financial benefits provided to the senior management cover salaries and bonuses. The financial rights provided to the senior management (CEO and Heads of Groups) last year amounted to TL 3,946 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.