

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 "93.41" based on the review performed in 2016 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 98.46, Stakeholders 95.66, Board of Directors 90.21.

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 "Corporate Governance".

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Company's "Investor Relations Department" has been active since 28 January 2005 within the relevant regulations of the CMB. Prior to each 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 during the same day. Besides monthly reports, "Annual Investor Relations Activity Report" is drawn up following the end of the fiscal year. 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.

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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 conferences and roadshows organized by brokerages, one in Turkey and three abroad, and participated in teleconferences at the Company headquarters; within this context, the Company had contacts with more than 80 people from nearly 60 investment companies.

The majority of parties the Company had contact with during the reporting period consisted of analysts and fund managers from local and foreign brokerages and asset management companies.

During the year, the Investor Relations Department responded to nearly 320 queries, most of which were received by e-mail. Information requests received from local and foreign investors or brokerages 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 72% of all requests for information were of an institutional nature, while the remaining 28% consisted of individual queries.

Shareholders may convey their information requests by contacting the Investor Relations Department employees directly or by sending an e-mail to the Department's e-mail address or using the contact form available on the website. Shareholders usually contact the Department employees directly or via the Department's e-mail 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 e-mail either to the Department's e-mail address or using the communication form available on the website.

During the reporting period, information requests received from local and foreign investors or brokerages were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy. The Investor Relations Department regularly keeps necessary records of written or verbal information requests and the responses given thereto.

The questions received by the Investor Relations Department during the reporting period mostly related to projected income/ costs of the projects being developed by the Company, delivery timelines, and the rental processes of the properties covered in the portfolio, as well as the Company's financial status and future investment strategy.

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 Hiz. 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 2015 convened on 24 March 2016 at the address İş Kuleleri, Kule 1, Kat: 41 Levent-Beşiktaş/İstanbul with 68.03% attendance, of which 68.03% were acting as proxies and 0.003% 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 2015 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 a national newspaper. 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 2015 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.

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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 2015 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 independent 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 independent board member nominees in advance.

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

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

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

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

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

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

As per article 19 of the Capital Market Law, the limit of the donations to be made by a company is to be set at the General Assembly Meeting. Under İş REIC's Company Donations Policy, the donation budget set aside for the Company's donations during 2016 and approved by the General Assembly is TL 115,000. In 2016, the Company donated TL 100,000 to the "July 15 Solidarity Campaign". This matter will be presented for the information of the shareholders in the General Assembly to be convened for the year 2016 pursuant to the Corporate Governance Principle numbered 1.3.10 and Article 6 of the CMB's Communiqué on Dividends (II-19.1).

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

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

2.4. Voting Rights and Minority Rights

The Company's capital is divided into 850,000,000 shares, which are made up of Group A shares that correspond to TL 1,214,285.68 and Group B shares that correspond to TL 848,785,714.32. 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.

Save for legal regulations, the Company's articles of association do not incorporate additional stipulations regarding minority rights. Any additional stipulation for minority rights requires an amendment to the articles of association, which can be made through Company shareholders' volition in this regard. Since no such request has been received from shareholders as yet, such an amendment to the articles of association was not addressed in the agenda. There are no plans to make a change in this respect. Nonetheless, our shareholders' questions, opinions and comments received by our Company during the reporting period were responded to meticulously and without delay, irrespective of the number of the shares held.

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 2015 fiscal year, it was decided to distribute dividends in the total amount of TL 156,220,000 to shareholders, breaking down as cash dividends worth TL 52,220,000, 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 104,000,000. Cash dividend payout to shareholders was completed on 30 March 2016 and bonus share distribution on 11 May 2016.

The Board of Directors' proposal for dividend distribution in relation to 2016 period profit will be submitted to the approval of shareholders at the Annual General Assembly for 2016 fiscal year.

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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 features trade registry information, the latest shareholder and management structure, detailed information about privileged shares, dates and issue numbers of the Turkish Trade Registry Gazettes in which amendments were promulgated along with the latest version of the Company's articles of association, material event disclosures, financial statements, annual reports and other public disclosure documents, agendas of general meetings, participation in meetings, meeting minutes, proxy voting forms, dividend policy, information policy, code of ethics, and frequently asked questions. Share purchase proposal, mandatory informative sheets drawn up for collecting proxy forms and similar forms are not posted on the website since the Company does not have any processes requiring the preparation of such documents, neither is the Company's policy concerning repurchasing of own shares as the Company does not have a program/policy for repurchasing its own shares. In the case that there exists a process requiring the preparation of the said documents, related documents will also be made available on the Company website. 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 in capital, 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 Hiz. 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. Effective and speedy indemnification is made available in the event of infringement of stakeholders' rights regulated by legislation and mutual contracts. In all the agreements made, the Company takes care to include information on possible cases of indemnification and takes into consideration any and all demands and feedbacks received from stakeholders. The Company has in place a "Compensation Policy" devised for its employees, which is posted on the Company website.

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 e-mail account has been assigned for this line and e-mail 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. Care is taken to maintain the confidentiality of information of a trade secret nature, which information is related to customers and suppliers.

Actions that will ensure customer satisfaction are taken in the marketing and sales of goods and services; customer requests concerning purchased goods and services are fulfilled as soon as possible and customers are informed about possible delays. Attention is paid to ensuring alignment with the existing quality standards of the goods and services. In real estate projects where the Company that acts as a real estate investment company gives a certain quality guarantee to customers, such undertakings are fulfilled.

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 and sales 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.

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Employees are informed about decisions and developments that concern them. There is not a trade union set up under the Company organization. On the other hand, while the Company supports the freedom of association and the effective recognition of the right to collective bargaining, the Company has not received any such request from the employees to date.

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 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.

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 2016.

2016 marked the onset of a new initiative, which was introduced to reveal our commitment to finding solutions in view of social issues, needs and expectations as İş REIC. Under the initiative launched based on the core values and targets of the İş REIC brand along with the positive social influence sought to be created in the public, a process was planned whereby the corporate social responsibility strategy will be jointly determined with the Company employees. Advisory support was received from MarjinalSosyal, our communications agency, in line with our search for devising a real solution that would also serve as an example for the sector for a social issue or need aligned with the values embedded in our Company and brand, and related to our field of activity and our expertise. The voluntary team efforts initiated within this context continued throughout the year. The goal is to identify the priority fields, in which we will be working, and to devise and introduce the social projects we will be conducting in these areas at the end of this process.

In a bid to undertake a participative role in encouraging all segments of the society –male and female, young and old– to take part in sports, İş REIC continued to extend its long-going support to the Konak Municipality Youth and Sports Club Women's Football Team in 2016, which competes in the Turkish Football Federation's Women's Premier League and which qualified to take part in the Turkey Championship.

During the reporting period, the Company maintained its support to sectoral development by sponsoring the Turkish Real Estate Summit 15 organized by GYODER (the Association of Real Estate and Real Estate Investment Companies), the Shopping Mall Investments Conference organized by AYD (Council of Shopping Centers-Turkey), the conference titled "Under Construction" co-organized by YEM (The Building Information Center) and İstanbul Bilgi University, and the "Invest in Kartal, Invest in Future Summit" program organized by NTV.

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 24.03.2016-23.03.2017
M. Kemal Fettahoğlu	Vice Chairman, Non-Executive 24.03.2016-23.03.2017
Aysel Tacer	Board Member, Non-Executive 11.04.2016-23.03.2017
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent 24.03.2016-23.03.2017
Haluk Büyükbaş	Board Member, Non-Executive, Independent 24.03.2016-23.03.2017
Nihat Uzunoglu	Board Member, Non-Executive, Independent 24.03.2016-23.03.2017
Mete Uluyurt	Board Member, Non-Executive 24.03.2016-23.03.2017
Süleyman H. Özcan	Board Member, Non-Executive 24.03.2016-23.03.2017
Murat Doğan	Board Member, Non-Executive 24.03.2016-23.03.2017
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 nine members, three of which are independent.

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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 three 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 17 March 2016, and submitted them to the Board of Directors on 18 March 2016. 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 36-35.

Board of Directors members' engaging in the transactions stipulated under Articles 395 and 396 of the TCC is subject to the approval of the General Assembly and the Board members were authorized to engage in the transactions falling under the said articles at the General Assembly meeting convened on 24 March 2016. Nonetheless, 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. In-group/non-group positions held by the Board of Directors members, their terms of office in the Company, and distribution of positions are presented in the members' resumés.

Although the Company has not yet determined a targeted ratio and timing in relation to the women members on the Board of Directors, and has not devised a policy to this end, our Company pays attention to make sure that individuals possessing the required competencies take place in the Company's execution and on the Board of Directors, without discriminating on the basis of sex. Within this context, the Company spends maximum effort for active participation of women on the Board of Directors. On the other hand, when electing the members of the Board of Directors, priority is given to designating nominees possessing the required qualifications and experience in areas associated with the Company's field of activity; hence establishment of a binding policy with respect to the number of women members is not preferable. However, evaluations are ongoing for determining a targeted ratio of women Board members. Currently, two women members serve on the Board of Directors. One of the women members has been holding a seat on the Board of Directors since 2012, while the other woman member assumed office upon her election at the 2015 General Assembly Meeting held in 2016.

Levent Korba - Chairman

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

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 İş-Altınhas.

Aysel Tacer - Board Member

Aysel Tacer received her degree in business administration from Marmara University, Faculty of Economics and Administrative Sciences. She started her career at İşbank as an Officer at Taksim Branch in 1980. Ms. Tacer served as Assistant Section Head and Financial Analyst in the Credit Information and Financial Analysis Department from 1983 to 1989; became Assistant Credit Analyst in 1989 and Assistant Manager in 1993 at Şişli Branch. Between 1996 and 2011, she served as Manager of Akatlar, Çarşı-Bakırköy, Bakırköy, Güneşli and Güneşli Corporate Branches. Ms. Tacer was a member of the Board of Auditors at Tuba Sim İnş. Konsorsiyumu A.Ş. (1994-1996), a member of the Board of Auditors at İş Factoring Finansman Hizmetleri A.Ş. (1999-2001), and a member of the Board of Directors at Camişi Madencilik A.Ş. (2001-2005), at Anadolu Anonim Türk Sigorta Şirketi (2005-2009) and at İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (2009-2011). Ms. Aysel Tacer was elected to İşbank's Board of Directors on 31 March 2011 and on 28 March 2014. She has served as member of the Board of Directors until 21 March 2016, and functioned, in tandem, as a Member of Corporate Social Responsibility Committee and as Alternate Member of the Credit Committee. She retired from İşbank effective 30 June 2015. Ms. Tacer does not hold any in-group positions other than her seat as a Member on the Board of Directors of İş REIC.

D. Sevdil Yıldırım - Independent Board Member

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 finance from the London Business School. She worked at Capital Markets Board of Turkey (CMB) in Research and Development, Auditing and Market Supervision departments in 1988-1999. In 1999, she joined Yapı Kredi Invest where she held the positions of Head of International Capital Markets Department and Assistant General Manager. Ms. Yıldırım worked at Turkish Yatırım and BGC Partners as an Assistant General Manager in 2006 and 2007, respectively. She joined Yıldız Holding A.Ş. in 2009 as Corporate Finance and Capital Markets Coordinator. At Yıldız Holding, Ms. Yıldırım was also involved in the establishment of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., where she served as an Assistant General Manager and also as the Investment Committee Member until February 2012. She held vice president positions for Gulf business councils at DEİK (Foreign Economic Relations Board) from 2002 to 2012. She serves as an independent board member at TAV Havalimanları Holding A.Ş., a non-group position, as a board member at KOTEDER, the Association of Listed Companies' Executives whose members include publicly held companies, again a non-group position, and as an independent board member at Denizli Cam San. A.Ş., an in-group position. Ms. 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.

Haluk Büyükbaş - Independent Board Member

Mr. Haluk Büyükbaş received his BSc and MSc in electrical engineering from the Middle East Technical University, Faculty of Engineering in 1980 and 1983, respectively. He started to work as an Engineer at the Research and Planning Department of the Turkish Electricity Administration, where he functioned as an Engineer, Chief Engineer, and Project Manager in the Transmission Lines and Substations Project Department between 1981 and 1989. Mr. Büyükbaş worked as Department Head at the T.R. Prime Ministry Housing Development Administration from 1989 to 1995, and served as Deputy General Manager of the General Directorate of Public Finance of the T.R. Prime Ministry Undersecretariat of Treasury between 1995-1997. Mr. Büyükbaş served as Vice President of the T.R. Prime Ministry Privatization Administration between 1997 and 2003, during which time he handled the privatizations of oil and energy companies. He worked as President's Advisor at the Privatization Administration from 2003 until 2005 when he retired from civil service. During his civil service, Mr. Büyükbaş also served as a member on the boards of directors and boards of auditors of various companies including TÜPRAŞ, PETKİM, ERDEMİR and ÇEAŞ. He became Secretary General of the Turkish Contractors Association (TCA) in 2005, a position he still holds. In connection with this post, he has been a Governor at the World Water Council based in Marseille since 2006. Mr. Büyükbaş does not hold an in-group position other than his seat as a Member of the Board of Directors at İş REIC.

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Nihat Uzunoğlu - Independent Board Member

Mr. Nihat Uzunoğlu received his degree in political sciences from Ankara University in 1981 and started to work as Junior Accountant at the Ministry of Finance the same year. He was appointed to the position of Accountant in 1984, ranking first in his term, and to the position of Chief Accountant in 1991. Mr. Uzunoğlu conducted studies and research on "Self-Regulation Organization in the British Tax System" for one year in the UK, between 1989-1990. On 13 March 1994, he was assigned as the first Director of the Foreign Trade Tax Administration that was just established, in which post he served for 3.5 years. He then served as the Assistant Head of Provincial Treasury of İstanbul from July 1997 to August 2004. Mr. Uzunoğlu was re-appointed to the Tax Inspectors Board as Chief Tax Inspector in August 2004, where he served in various functions including member of the Reading Commission and member of the Advisory Commission. Mr. Uzunoğlu served as the President of the Finance Tax Inspectors Association for four terms between 2005 and 2009, and retired from civil service in January 2014. He currently offers advisory in tax, insurance and other financial legislation at RSM TR Yeminli Mali Müşavirlik A.Ş. and also provides training activities on tax implementations at the "HUZ ACADEMY", which is a joint institution of the Tax Inspectors Association and Tax Inspectors Foundation. Mr. Uzunoğlu is the author of a two-volume book set titled Herkes İçin Katma Değer Vergisi Kanunu Yorum ve Açıklamaları (Value Added Tax Law Interpreted and Explained for the Layman) published by the Finance Tax Inspectors Association. He does not hold an in-group position other than his seat as a Member of the Board of Directors at İş REIC.

Mete Uluyurt - Board Member

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

Süleyman H. Özcan - Board Member

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. He is also a Member of İşbank's Corporate Governance Committee. Mr. Özcan has been serving as a Member of the Board of Directors at İş REIC since 8 December 2014.

Murat Doğan - Board Member

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 Real Estate Investments 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 8 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 80 resolutions. All Board Members attended all of the Board meetings. 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 (non-executive)	Murat Doğan (non-executive)	Ayşegül Şahin Kocameşe (executive)

Committee for Early Detection of Risk	
Head	Member
H. Haluk Büyükbaş Independent Member (non-executive)	Murat Doğan (non-executive)

Committee for Audit	
Head	Member
Nihat Uzunoğlu Independent Member (non-executive)	D. Sevdil Yıldırım Independent Member (non-executive)

All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members. The Board of Directors consists of nine members, three of whom are independent. Owing to the number of committees set up under the Board of Directors and the qualifications of the members assigned to the committees, a Board Member may serve on more than one committee. There are no plans to make any changes to this practice.

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Under Article 5 of the Corporate Governance Communiqué, the Company was included in Group 2 Companies for 2016 in view of the assessment made by the CMB taking into consideration the market capitalizations of publicly-held companies depending on their systemic importance and the market prices of their stock in circulation. Within this context, the number of independent members on the Company's new Board of Directors is implemented as 1/3 of the full membership pursuant to Principle no. 4.3.4 of the Corporate Governance Principles. Made up of 9 members, the Board of Directors includes 3 independent 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 11 meetings.

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 5 meetings and submitted five written reports to the Board of Directors.

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.

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 is 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.

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. Primary risks inherent in these investments include business environment risk, credit risk and liquidity 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.

Credit risk is an expression of the risk of loss that may be suffered by the Company on account of the inability or failure of a counterparty to a transaction involving the Company 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 potential 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.

As of 31 December 2016, 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.

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.

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5.5. Strategic Goals of the Company

Diversifying its portfolio by investing in projects in the real estate sector such as offices, retail sector and residences, the Company adopts the strategy of generating maximum benefit for its shareholders by increasing its ongoing revenues and profitability. 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 top priority of İş REIC in 2017 is to bring all of its ongoing investments to completion within the projected timelines, to attain projected profitability, to capture the targeted lease and sales figures, to sustain high cash dividend distribution, and to carry on with project developments that will result in optimum use and benefits on properties included in its portfolio.

Besides all these activities, the Company closely monitors investment opportunities relating to projects and real estate properties that will secure the Company's organic and revenue growth, and assesses them in line with its investment strategy.

When planning for 2017 and following years, risks that may stem from the business environment are also taken into consideration, a close eye is kept on exchange rate risk in investment and funding decisions, and the lowest risk / maximum benefit/cost trade-off is observed.

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.

The remunerations of the Members of the Board of Directors are proposed by the Corporate Governance Committee, and determined by the General Assembly. The benefits provided to the Board of Directors and senior management are publicly disclosed via the Financial Reports disclosed quarterly and also in the Annual Report. In order to act in parallel to the relevant established practice in our country, our Company does not disclose the benefits provided to the Board of Directors and senior management on the basis of individuals. Currently, there are no plans to make any changes in this practice.

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 rights provided to Board of Directors members amounted to TL 771 thousand gross in the reporting period.

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 4,390 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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Financial Statements as of and for the Year Ended 31 December 2016 with Independent Auditors' Report Thereon

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)