

İŞ GYO



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

# 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 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.

Corporate governance rating of our Company has been revised as "94.76" based on the review performed in 2017 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 96.70, Board of Directors 93.63.

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. 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 regularly, 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 committee meetings are shared with the Board of Directors. Besides these 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.

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	0850 724 23 50	aysegul.sahin@isgyo.com.tr
Mine Kurt Yıldırım Assistant Manager	0850 724 23 50	mine.kurt@isgyo.com.tr
Begüm Olgaç Specialist	0850 724 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 2017, the Investor Relations Department held meetings with analysts and fund managers from local and foreign investment companies.

During the year, the Investor Relations Department responded to nearly 360 queries, most of which were received by e-mail. Information requests from local and foreign investors or investment companies 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 57% of all requests for information consisted of individual queries, while the remaining 43% were of an institutional nature.

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 of the written and oral queries that it receives. 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 or model updating processes through teleconferences or meetings.

## 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.

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 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 and other financial statements drawn up within the scope of financial reports, along with material event disclosures made through the Public Disclosure Platform (KAP) were 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, were regularly updated within the frame of current developments. Thereby, accurate and up-to-date information was made available especially to investors and investment companies in addition to various individuals or institutions that require information about the Company and its activities.

## Corporate Governance Principles Compliance Report

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 Securities Depository (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 the data provided by Foreks Bilgi İletişim Hiz. A.Ş. under the “Investor Relations/Stock Performance” section on the Company website. In addition, stock performance data is also available on the English website.

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 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. At the Annual General Assembly of Shareholders convened on 23 March 2017, one shareholder requested the appointment of a special auditor, which request was declined by majority of votes.

### 2.3. Information about the General Assembly

The Annual General Assembly of Shareholders for 2016 convened on 23 March 2017 at the address İş Sanat Kültür Merkezi Levent-Beşiktaş/İstanbul with 67.84% attendance, of which 67.77% were acting as proxies and 0.068% were acting in person. Besides shareholders, all Members of the Board of Directors except for one member 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 2016 was concurrently held on the Electronic General Meeting System hosted by the Central Securities Depository, 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 2016 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 suggestions 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 2016 Annual General Assembly was being prepared, the Company received a request for incorporation of items in the agenda from one shareholder. The suggestions that were not approved to be included in the agenda by the Board of Directors and the grounds for such refusal were publicly disclosed in the “General Assembly Informative Document” prepared for 2016 Annual General Assembly.

Pursuant to Corporate Governance Principles, the Company publicly disclosed in a material event disclosure the final list of independent board member nominees, and posted the résumés of independent board member nominees and other member nominees on the Company website prior to the General Assembly, thus allowing shareholders to have information about board member nominees in advance.

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

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

At every stage of the meeting, shareholders are granted the chance to raise questions and advance proposals, including the right to take the floor. Questions are answered and proposals are given consideration, as well. At the Annual General Assembly of Shareholders this year, the questions and proposals of shareholders present in the meeting were mentioned in the meeting minutes, and the questions raised during the meeting and their answers were also published under the section "Investor Relations/General Assembly" of the Company website. Furthermore, all oral and written queries from the shareholders about the Company 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 the Company Donations Policy, the donation budget set aside for the Company's donations during 2017 and approved by the General Assembly was TL 125,000. In 2017, the Company did not make any donations. This matter will be presented for the information of the shareholders in the General Assembly to be convened for the year 2017 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, or joined another company dealing with the same kind of commercial affairs in the capacity of an unlimited partner. Mr. Murat Doğan, Board member of our Company, serves as a member of the Board of Directors of İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş., and Mr. Turgay Tanes, the Company's CEO, serves as the Chairman of the Board at the same company.

Also there are no transactions individuals with access to inside information have carried out within the scope of the Company's field of activity in their own names.

## Corporate Governance Principles Compliance Report

### 2.4. Voting Rights and Minority Rights

The Company's capital is divided into 913,750,000 shares, which are made up of Group A shares that correspond to TL 1,305,357.11 and Group B shares that correspond to TL 912,444,642.89. 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 2016 fiscal year, it was decided to distribute dividends in the total amount of TL 127,500,000 to shareholders, breaking down as cash dividends worth TL 63,750,000, so that TL 0.075 (gross=net) (7.5%) dividend will correspond to each share with a nominal value of TL 1, and bonus shares worth TL 63,750,000. Cash dividend payout to shareholders was completed on 30 March 2017 and bonus share distribution on 2 May 2017.

The Board of Directors' proposal for dividend distribution in relation to 2017 period profit will be submitted to the approval of shareholders at the Annual General Assembly for 2017 fiscal year.

## **2.6. Transfer of Shares**

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

## **PART III – PUBLIC DISCLOSURE AND TRANSPARENCY**

### **3.1. Company Internet Site and Its Content**

The Company has its own website accessible at [www.isgyo.com.tr](http://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, questions raised during the general meeting and their answers, 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 decision for repurchasing its own shares, either. 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 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 Securities Depository (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 and notes to semi-annual and annual financial statements 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 linked to the MKK portal via the Information Society Services section and to access fundamental information about the Company also through this link.

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

### **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.



## Corporate Governance Principles Compliance Report

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.

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.

## Corporate Governance Principles Compliance Report

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.

Activities in relation to the social responsibility initiative launched in 2016 to manifest our attitude for seeking solutions to social issues, needs and expectations as İş REIC continued throughout 2017. In line with İş REIC's policy to carry out social investments that will be a model for all segments of the society, the sector and the business world and will create tangible benefits, a Corporate Social Responsibility Policy was formulated, which puts giving children equal access to educational, cultural, environmental and social means in its focal point, and targets to equip children with enhanced qualifications within the frame of priority topics. The said Policy was approved by the Board of Directors. The volunteering group activities continued throughout the year, which were launched with advisory support received, in line with our pursuit for generating a real solution that would 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. In the process, academic support was received from the faculty members of Koç University in line with the goal of identifying priority activity areas, determining and launching the social projects that will be conducted in these areas, and the roadmap for the project and program content were established. It was decided to proceed with TOÇEV, an NGO working to help underprivileged children continue their education, and discussions about the activity program were initiated. The project "My Creative World" is planned to be launched during 2018.

Acting upon the conviction that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İş REIC continued to support the sector's development and social solidarity in 2017.

During the reporting period, the Company maintained its support to sectoral development by sponsoring the Evolving Cities Summit organized by GYODER (Association of Real Estate and Real Estate Investment Companies), the Shopping Mall Investments Conference organized by AYD (Council of Shopping Centers – Turkey), Aegean Economic Forum organized by Özgencil Consulting that was inaugurated by T.R. Prime Minister Binali Yıldırım and heavily attended by the private sector and the public sector, İzmir leg of Evolving Regions Summit organized by Hürriyet newspaper, and İzmir Occupational Health and Safety Summit organized by the İzmir Association of Industrialists and Businessmen.

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	
Ömer Karakuş	Chairman, Non-Executive 16.05.2017-21.03.2018
Süleyman H. Özcan	Vice Chairman, Non-Executive 23.03.2017-21.03.2018
Aysel Tacer	Board Member, Non-Executive 23.03.2017-21.03.2018
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent 23.03.2017-21.03.2018
Haluk Büyükbaş	Board Member, Non-Executive, Independent 23.03.2017-21.03.2018
Nihat Uzunoğlu	Board Member, Non-Executive, Independent 23.03.2017-21.03.2018
Mete Uluyurt	Board Member, Non-Executive 23.03.2017-21.03.2018
Murat Doğan	Board Member, Non-Executive 23.03.2017-21.03.2018
Sakine İlgen Dokuyucu	Board Member, Non-Executive 23.03.2017-21.03.2018
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.

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 21 March 2017, and submitted them to the Board of Directors on 21 March 2017. 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 35-37.

## Corporate Governance Principles Compliance Report

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 23 March 2017. 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, three women members serve on the Board of Directors. While one member has been serving as a Member of the Board of Directors since 2012, other members took office upon being elected in the general meetings convened in 2016 and 2017.

### Ömer Karakuş, Chairman

Ömer Karakuş received his degree in public administration from Gazi University, Faculty of Economics and Administrative Sciences. Having started his career at İşbank in 1989 as an Assistant Inspector on the Board of Inspectors, he was appointed Assistant Manager in the Accounting Department in 1998, where he later served as Unit Manager. He was appointed Head of Accounting Department in 2005, Manager of Yenişehir Branch in Ankara in 2007, Head of HR Department in 2008, and Head of the Board of Inspectors on 15 January 2016. Mr. Karakuş was promoted to Deputy Chief Executive Officer of İşbank on 27 April 2017. He held a seat as a member on the boards of directors of Nemtaş Nemrut Liman İşletmeleri A.Ş. (2005-2006), Anadolu Anonim Türk Sigorta A.Ş. (2006-2010), Anadolu Hayat Emeklilik A.Ş. (2010-2012), Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. (2012-2013) and İşbank AG (2013-2016). Mr. Karakuş has been a member of İş REIC's Board of Directors since 16 May 2017.

### Süleyman H. Özcan, Vice Chairman

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 İş REIC's Board of Directors since 8 December 2014 and is also a member of the Corporate Governance Committee.

### 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 Faktoring Finansman Hizmetleri A.Ş. (1999-2001), and a member of the Board of Directors at Camiş 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 has been serving as a Member of İş REIC's Board of Directors since 11 April 2016 and does not hold any in-group position apart from her seat 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. After serving as an Assistant General Manager at Yapı Kredi Invest (1999-2006), Turkish Yatırım (2007) and BGC Partners (2008), she joined Yıldız Holding A.Ş. in 2009 as Finance Coordinator in charge of Corporate Finance and Capital Markets. She was the Assistant General Manager and Member of the Investment Committee of Gözde Private Equity Investment Company (2010-2012) that she co-founded. Besides offering mentoring at Startupbootcamp Turkey and Women in Management, she runs selective projects in renewable energy, healthcare and agriculture mainly with Chinese corporations. Shortlisted for a tender by the European Investment Fund venture capital scheme, Ms. Yıldırım was also awarded as the management company for venture capital fund by 1514 Tender of TÜBİTAK in 2014. Having held vice president positions for Gulf business councils at DEİK (Foreign Economic Relations Board) from 2007 to 2011, she currently serves as a board member at KOTEDER, the Association of Listed Companies' Executives whose members include publicly held companies. She is a member of the Association of Capital Market Professionals, of the Women Corporate Directors (WCD) Foundation and also a part of the 30 Percent Club in Turkey. In tandem with her roles mentioned above, she is an independent board member at TAV Havalimanları Holding A.Ş., a non-group position, and an independent board member at Denizli Cam San. A.Ş., an in-group position. Ms. Yıldırım has been serving as a member of İş REIC's Board of Directors since 28 March 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 has been a Member of İş REIC's Board of Directors since 24 March 2016 and does not hold any other in-group position apart from his seat on the Board of Directors of İş REIC.

**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. Mr. Uzunoğlu has been a Member of İş REIC's Board of Directors since 24 March 2016 and does not hold any other in-group position apart from his seat on the Board of Directors of İş REIC.

## Corporate Governance Principles Compliance Report

### **Mete Uluhurt, Board Member**

Mete Uluhurt 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. Uluhurt 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. Mr. Uluhurt has been a Member of İş REIC's Board of Directors since 26 March 2013, and serves as Strategy and Corporate Performance Management Unit Manager of İşbank, an in-group position.

### **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. and İş-Altınhas İnşaat Taahhüt ve Tic. 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.

### **Sakine İlgen Dokuyucu, Board Member**

Sakine Dokuyucu received her degree in business administration from Ankara University, Faculty of Political Sciences in 1991. She started her career at İşbank in 1994 in Akay Branch in Ankara. She worked in İşbank's Accounting Department from 1997 until 2008. Since 2008, she has been working in the Financial Management Department where she has been functioning as Unit Manager since January 2009. Ms. Dokuyucu has been a Member of İş REIC's Board of Directors since 23 March 2017.

### **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 from 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank, member of the Board of Directors of GYODER (Association of Real Estate and Real Estate Investment Companies), and Vice Chairman of KONUTDER (Association of Housing Developers and Investors).

## **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 eight times during the period and passed 59 resolutions. All Board Members attended almost 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	Member
D. Sevdil Yıldırım Independent Board Member (non-executive)	Süleyman H. Özcan Board Member (non-executive)	Murat Doğan Board Member (non-executive)	Ayşegül Şahin Kocameşe (executive)

  

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

  

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

Corporate Governance Principles are adhered to when electing the 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.

Within the frame of Principle no. 4.3.4 of the Corporate Governance Principles, the number of independent members on the Company's new Board of Directors is implemented as 1/3 of the full membership. Made up of nine members, the Board of Directors includes three 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



## Corporate Governance Principles Compliance Report

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. Taking care to meet prior to each Board of Directors meeting, the Committee met nine times during the year.

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 six 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 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

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 2018 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 2018 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 the remuneration to be paid is determined by the General Assembly. At the General Meeting convened on 23 March 2017, monthly gross salary to be paid to each Member of the Board of Directors was determined as TL 8,500.

The benefits provided to the Board of Directors and senior management are made public 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 are not granted any rights that would yield financial benefits such as bonuses or premiums. 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 896.4 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 4,655 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.

[www.isgyo.com.tr](http://www.isgyo.com.tr)