



## Migros Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

#### 1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Order-in-Council 654 published in (duplicate) issue 28081 of Resmi Gazete (the official gazette) dated 11 October 2011 made the following additions to the duties and authorities of the Capital Markets Board (CMB): "determine and announce corporate governance principles in capital markets; in order to contribute towards the improvement of the investment environment, require those public joint stock companies whose shares are traded on an exchange and which are members of groups which it shall specify taking into account the percentage of their publicly traded stock, the number and nature of their investors, the indexes in which they are included, and their trading volumes within a specified period of time to comply, partially or entirely, with corporate governance principles."

In line with the powers vested in the Capital Markets Board by this order-in-council, corporate governance principles were reconstituted as a regulatory communique with some changes being made in the principles taking international developments into account. "Communique concerning the determination and application of corporate governance principles" (IV:56) was also published in duplicate issue 28158 of Resmi Gazete on 30 December 2011. Since its original publication, Communique IV:56 concerning the determination and application of corporate governance principles has been changed four times by the following amending communiqués that went into effect as of the respective dates of their publication: IV:57 (Resmi Gazete 28201, 11 February 2012), IV:60 (Resmi Gazete 28335, 26 February 2012), IV:61 (Resmi Gazete 28410, 13 September 2012), and IV:63 (Resmi Gazete 28567, 22 February 2013). The execution of provisions of the communique is carried out by the Capital Markets Board.

Migros Ticaret A.Ş. gives great importance to compliance with the corporate governance principles published by CMB. Migros is aware of the benefits that implementation of these principles will bring to the company, its stakeholders and ultimately to the country. In order to comply with principles specified in communiqués and to be an exemplary company in the matter of such compliance, our practices are constantly being reviewed, with improvements being made in them as necessary.

Our Company has adopted the main principles of Corporate Governance which are:

- a) Fairness
- b) Transparency
- c) Responsibility
- d) Accountability.

A corporate governance committee was set up in 2007 and charged with monitoring corporate governance activities throughout the company and with overseeing the work of the Investor Relations Department. Under "Communique concerning the determination and application of corporate governance principles", it has become mandatory for every company subject to the communique to set up a corporate governance committee of its own and for the head of that committee to be selected from among the company's independent board members. In a board resolution passed on 9 October 2012, Hakkı Hasan Yılmaz, Nicholas Stathopoulos, and Affan Nomak were elected to seats on the corporate governance committee and independent board member Hakkı Hasan Yılmaz was made committee chairman.

Our corporate website ([www.migroskurumsal.com](http://www.migroskurumsal.com)) is updated daily in order to provide more extensive information on the company to our stakeholders. In addition, dedicated websites are available on each of our Company's formats for the information of the general public and our stakeholders.

In addition to forming a part of its annual report, Migros's corporate governance principles compliance report may also be found in the "Investor Relations" section of its corporate website located at [www.migroskurumsal.com](http://www.migroskurumsal.com).

#### Corporate governance committee compliance activities in 2012

At the company's annual general meeting on 28 June 2012, amendments for which Capital Markets Board and Ministry of Customs and Trade authorizations had been applied for and received were made in the articles of

association for compliance with "Communique concerning the determination and application of corporate governance principles". The current version of the company's articles may always be found on the company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

As required by the communique's stipulation that announcements about general meetings must be made at least three weeks before the meeting date, our company's general meeting was duly announced three weeks in advance of the date on which it was to be convened. A general meeting information sheet containing information about such issues as the company's remuneration policy, charitable donations and assistance policy, and biographies of board members was also publicly disclosed on our corporate website.

As required both by the new trade law and by CMB "Communique concerning the determination and application of corporate governance principles", the Board of Directors has set up a Early Detection of Risk Committee while the structures and memberships of the previously-constituted Audit Committee and Corporate Governance Committee have been changed to bring them into compliance with the same communique.

Our company has become a member of the Investor Relations Association of Turkey in 2012.

## **PART I - SHAREHOLDERS**

### **2. Investor Relations**

The Investor Relations Department was set up under the responsibility of the Assistant General Manager for Financial Affairs. The Investor Relations Department acts in compliance with the requirements of Turkish Commercial Code, capital market laws and regulations and with CMB regulations, communiques, and principles in the conduct of its activities. The Investor Relations Department is actively involved in making it easy for shares to protect and exercise their rights, including but not limited to, their rights to obtain information and to examine the company's records. The principal duties and responsibilities of the Investor Relations Department are set forth below:

- Conduct matters related to company general assembly meetings;
- Conduct matters related to share capital increases;
- Conduct matters related to dividend payments;
- Represent the company;
- Handle shareholder requests and procedures related to general assembly meetings, share capital increases, and dividend payments;
- Represent the company before such agencies as the Capital Markets Board (CMB), İstanbul Stock Exchange (ISE), the Central Registry Agency (CRA), and ISE Settlement and Custody Bank Inc. and liaise with them;
- Maintain records of Board of Directors and general assembly meetings;
- When necessary, send material event disclosures to the Public Disclosure Platform as required by CMB communique VIII:54;
- Keep track of all matters related to public disclosures covered by the company's public disclosure policy;
- Prepare documents that may be useful to shareholders at general assembly meetings and ensure that shareholders have easy access to these documents;
- Keep track of the requirements of laws and regulations and of CMB communiques;
- Inform senior management of matters and issues with which the company must be in compliance;
- Prepare the company's quarterly and annual reports;
- Support the coordination of the corporate governance-related projects and activities;
- Provide analysts, fund managers, shareholders, and other stakeholders with information about the company.
- Prepare quarterly and yearly presentations in order to inform stakeholders;
- Bring the company's articles of association into compliance with current laws and regulations;
- Maintain regular and up-to-date records of all communication with investors;
- Keep abreast of and analyze information about competitors and the sector;
- Respond to shareholders' queries and requests for information;
- Have shareholders' paper-form securities dematerialized;

All shareholders who wish to obtain information about the company may submit their requests by email to [yatirimci@migros.com.tr](mailto:yatirimci@migros.com.tr) and/or by calling 444 10 44 Customer Service Line. All other channels of communication are also available to shareholders.

Assistant General Manager for Finance: Erkin Yılmaz  
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Email: [erkiny@migros.com.tr](mailto:erkiny@migros.com.tr)  
Finance Group Manager: Ferit Cem Doğan  
Email: [cemdo@migros.com.tr](mailto:cemdo@migros.com.tr)  
Head of Investor Relations: Dr. Affan Nomak  
Email: [affann@migros.com.tr](mailto:affann@migros.com.tr)

The dematerialization of securities is undertaken by Yapı Kredi Securities. During the reporting period, retroactive action was taken at the company's headquarters concerning 150 Migros Türk T.A.Ş. shareholders and 7 Tansaş Perakende Mağazacılık T.A.Ş. shareholders who had not taken part in stock options, or had not received dividends to which they were entitled, or who applied to have their paper-form shares dematerialized. In addition, shareholders who called the 444 10 44 Customer Services Line were provided with information and also directed to go to any Yapı Kredi Bank branch in order to exercise their rights.

The activities of the Investor Relations Department in 2012 are itemized below.

Teleconferences conducted during the year:	4
Investor presentations conducted to provide investors with information:	4
Press relations concerning the company's financial results:	4
Shareholders for whom action related to previous years was taken retroactively by headquarters:	157
Material event disclosures sent to the Public Disclosure Platform:	34
Board of Directors resolutions passed:	21
Domestic and international conferences and roadshows taken part in:	9
Analysts and fund managers met with during the year:	333

### 3. Shareholders' Rights to Information

#### Disclosure

The Investor Relations Department endeavors to respond to requests for information about the company that it receives as quickly as possible and without making any distinctions among shareholders. Mindful of shareholders' right to be informed and of their right to have simultaneous, convenient access to information, all announcements about the company are also published on the company's corporate website.

In 2012 the Investor Relations Department took part in seven national and international conferences and two roadshows and it conducted meetings with more than 330 brokerage houses and fund managers. Immediately after each announcement of the company's quarterly results, teleconferences concerning the investor presentation published on our website were conducted. During these teleconferences, detailed information was provided about the presentation.

#### Auditing

The General Assembly of Migros, also taking into consideration the proposal of the Audit Committee, resolved that "DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş." (a member of Deloitte Touche Tohmatsu International), which was nominated by the Board of Directors, serve as the independent auditor for 2012 fiscal year.

At the meeting of the Board of Directors of Migros, held on 26 March 2013, it was decided according to the proposal by our Audit Committee that DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu International) be elected as the independent audit company for the 2013 accounting period. This decision will be submitted to the General Assembly for approval, according to the Board's resolution.

A two-member Audit Committee has been formed by the Board of Directors of Migros. Under article 4.5.3 of the CMB's "Communique concerning the determination and application of corporate governance principles", all of the members of the Audit Committee must be selected from among the company's independent board members. At a meeting of the Board of Directors on 9 October 2012, a resolution was passed to reconstitute the Audit Committee as a two-person body whose members are both independent board members and Hakkı Hasan Yılmaz and Tayfun Bayazıt were elected to fill these seats. As also required by Capital Markets Board regulations, Tayfun Bayazıt was designated as the committee's head.

The articles of association make no provision concerning the appointment of special auditors. No request for the appointment of a special auditor was received during the reporting period.

The internal audit activities of the company are discussed in the relevant sections of the Corporate Governance Principles Compliance Report.

#### 4. General Assembly

Attention is given to covering all issues whose discussion is statutorily mandated when determining items for the agendas of general assembly meetings. General meeting announcements are published in Turkish Trade Registry Gazette and on the company's corporate website within the statutorily prescribed periods of time. All shareholders are given convenient access to these announcements. An information sheet containing detailed information about the agenda items which were to be discussed at the general meeting was also publicly disclosed on our corporate website.

General assembly meetings are held at the company's headquarters, whose address is Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir/İstanbul. General Assemblies are open to all stakeholders and media representatives.

Company officers and auditors responsible for the preparation of financial statements attended the general meeting so as to provide such information as might be needed and to respond to any questions.

Information about our company's charitable donations and assistance policy was made available to shareholders by means of the general meeting information sheet that was publicly disclosed on our corporate website prior to the general meeting. In addition, shareholders are informed about donations and assistance which the company has given to foundations and associations during the most recent year by the inclusion of a separate item concerning them in the agendas of general assembly meetings.

#### Annual Ordinary General Assembly

The Ordinary General Assembly, in which the activities and accounts of Migros Ticaret Anonim Şirketi for the year 2011 are reviewed, was held at Migros Ticaret A.Ş. Head Office Building located at Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir/İstanbul on 28 June 2012 at 14:30. Ministry Representative Fatma Yazıcı, appointed by Letter No. 38696 dated 27 June 2012 from the Istanbul Provincial Directorate under the Ministry of Science, Industry and Technology, was present as observer.

The balance sheet, income statement, annual report of the Board of Directors, reports of statutory auditors and independent auditors of the company and the proposal on the distribution of the annual profit for 2011 were made available to shareholders for their examination at the company's headquarters as of 06 June 2012.

Upon the Ministry commissioner's examination of the list of attendees, it was acknowledged that out of 17,803,000,000 shares corresponding to the company's total paid-in capital of TL 178,030,000, a total of 14,355,545,300 shares equaling TL 143,555,453 were represented at the General Assembly.

The general meeting minutes and attendance roster were sent to the İstanbul Stock Exchange immediately after the meeting and were also published on our corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com) under the heading "Information about general meetings". The minutes of the General Assembly and the list of attendees were delivered to the ISE immediately after the conclusion of the General Assembly. In addition, the minutes of the General Assembly were published in the Turkish Trade Registry Gazette on 18 July 2012, Issue 8114 and delivered to shareholders by fax and e-mail upon their request.

No shareholder submitted any proposal for inclusion in the general meeting agenda before the meeting took place.

At the annual general assembly of Migros Ticaret A.Ş. held on 28 June 2012, shareholders voted not to pay out a dividend for 2011 because the year's consolidated financial statements showed a loss for the period.

## 5. Voting Rights and Minority Rights

As stipulated in the Articles of Association of Migros, none of the company's shares enjoy any privileged voting rights. All votes are equal. At the General Assemblies, every shareholder is entitled to one vote for each share of stock he/she holds. There is not any reciprocal shareholding arrangement with any partner. The company avoids engaging in any practice which would complicate shareholders' right to vote.

At the General Assemblies, shareholders can cast their votes either personally or through a proxy they will appoint from among shareholders/non-shareholders. The sample proxy forms, which are required to be issued for shareholders who will not be able to attend the meeting in person, are posted on our corporate website (www.migroskurumsal.com) and published in the Turkish Trade Registry Gazette.

Open voting by raise of hands is employed in General Assemblies when shareholders vote on each agenda item.

## 6. Dividend Distribution Policy and Date

There are no privileges regarding participation in the company's profit. Profits are distributed within statutorily prescribed periods of time and as soon as possible after a general meeting has taken place. The actual payment dates are determined by the general assembly.

Payment of dividends has always been an important matter for Migros, which always aimed to protect the interests of its shareholders. The utmost attention is given to the fine balance between the growth strategy and dividend payment policy. A copy of the "Dividend Distribution Policy" formulated by the Board of Directors is sent to the Public Disclosure Platform system along with material event disclosures pertaining to dividend payments. The same information is provided to shareholders at general assembly meetings and is published on the company's corporate website.

In line with the company's long-term strategies, investments and financing plans and profitability, the dividend amount is determined by the Board of Directors and submitted for the approval of the General Assembly, computed in accordance with the communiques published by the CMB and regulations, and can be distributed in cash or in the form of bonus shares of stock, or some combination of the two. This is the company's policy for the next three years. Any changes to this policy will also be shared with the public separately.

## 7. Transfer of Shares

The company's articles of association contains no provisions restricting the transfer of shares. Under the articles of association, the Board of Directors may, with the permission of the general assembly of shareholders, issue shares with a nominally-determined value and also restrict the right of existing shareholders to acquire such shares. The board must exercise this authority however in accordance with the principle of treating all shareholders equally.

## PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Corporate Disclosure Policy

The public disclosures of the company are made in an accurate and timely manner pursuant to the Communique VIII:54 published by the CMB on Principles Governing Disclosure of Material Events. In addition, public disclosures are also made on all important matters which might impact the decisions of shareholders as well as other stakeholders. Disclosures are also posted on our corporate website in order to allow shareholders access to publicly disclosed information easily. Publicly-disclosed information (such as investor presentations, press releases, etc) are published on the company's corporate website. Use is made of business data providers as well as of printed and visual media in order to disseminate such information among the public. The company has also devised a public disclosure policy, shared with the public. The company announces its dividend payment policy in annual reports and on its corporate website; it is also presented for the information of the shareholders at the General Assemblies.

The Board of Directors has formulated a "Disclosure Policy", which it keeps up to date by making such changes as are needed. Shareholders are provided with information about this policy at general assembly meetings after which it is published on the company's corporate website. The Investor Relations Department responds to shareholders' questions about the company within the framework of this Disclosure Policy, correctly, completely, and mindfully of the principle of equality.

The public disclosure policy of Migros obliges the company to share any kind of information upon request unless such information is a commercial secret or would provide a competitive advantage to third parties or would adversely affect the company's operations.

#### 9. Disclosure of Material Events

During 2012, 34 material event disclosures were submitted to the Public Disclosure Platform. Whenever ISE demanded additional information about such disclosures or about news appearing in the media, the company immediately responded with additional explanations.

Public disclosures are also posted on the corporate website together with their English versions to provide foreign investors with the same information.

Periodic financial statements, notes, annual reports and interim annual reports are shared with the public to provide an accurate and complete view of the company's financial position. Financial statements are prepared in compliance with national/international accounting standards in consolidated format in compliance with communiques issued by the CMB. The accounting policies of the company are referred to in the notes to financial statements. The company's annual reports are prepared in sufficient detail to allow all concerned parties to obtain the necessary information and are updated every fiscal year in line with the applicable legislation/needs.

The company published its financial statements regularly every quarter during 2012, after which investor presentations were published on the corporate website for the purpose of informing stakeholders.

The company designates an independent audit firm each year and requires this independent audit firm to rotate after a given period. Consultancy services are not obtained from the firm designated as an independent auditor.

#### 10. Company Website and its Content

Migros launched its corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com) for the use of its shareholders and customers in 1997.

All announcements and other information which might affect the exercise of shareholder rights is made accessible to shareholders and is kept up to date on our corporate website.

The content of the company's corporate website located at [www.migroskurumsal.com](http://www.migroskurumsal.com) was enriched during the year. The company also maintains a separate website for each of its store formats and these websites are made accessible to the company's stakeholders. All of the issues stipulated in section II.2.2 of CMB's Communiqué on Determination and Application of Corporate Governance Principles as well as much additional information is provided on the company's corporate website under the main headings of

- "About Us",
- "Our Brands and Stores",
- "Corporate Social Responsibility",
- "Quality and Product Safety",
- "Investor Relations", and
- "Human Resources"

and their associated subheadings.

The Investor Relations section of our corporate website covers topics such as "Migros Corporate", "Financial Reports", "The Increase of Company Capital and Distribution of Dividends", "Information on General Assemblies", "Material Disclosures", "Announcements to Shareholders", "Frequently Asked Questions", and "Contact Us". Our investors can find more detailed information about Migros in the subsections under these main headings. Our "Investor Relations" page is updated as circumstances warrant and as required by law. Every effort is made to make such information easily accessible to investors.

The corporate website also contains trade registry information and the shareholding structure in Turkish and English as required by law.

### 11. Disclosure of Ultimate Controlling Individual(s) Shareholder(s)

The shareholding structure of Migros Ticaret A.Ş. is presented below.

Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Tic. A.Ş.	80.51	143,323,336
Publicly Held	19.49	34,706,664
<b>Total</b>	<b>100.00</b>	<b>178,030,000</b>

There are no preferential shares.

Information about changes in the company's capital structure taking place during the year was publicly disclosed immediately through the Public Disclosure Platform system. Such changes are also announced in the pertinent sections of the company's 2012 annual report.

Pursuant to CMB Communiqué VIII:54, the company's chairman and the members of the Board of Directors, General Manager and Assistant General Managers, other persons with significant decision-making authority and responsibilities in the partnership and shareholders directly or indirectly owning more than 5% of the company's shares or parties acting together with such shareholders are required to make material disclosures when they buy or sell Migros shares.

### 12. Public Disclosure of Those Who Have Access to Insider Information

Names of the members of the Board of Directors and statutory auditors of our Company and of those in senior management positions as well as any changes to the senior management during the year are presented in the Annual Report. Individuals who have access to insider information about the company are identified below.

Fevzi Bülend Özyıldın	Chairman
Nicholas Stathopoulos	Member of the Board of Directors
Stefano Ferraresi	Member of the Board of Directors
Ömer Özgür Tort	Member of the Board of Directors / General Manager
Giovanni Maria Cavallini	Member of the Board of Directors
Glen Allen Osmond	Member of the Board of Directors
Jacob Cornelio Adriano de Jonge	Independent Member of the Board of Directors
Tayfun Bayazıt	Independent Member of the Board of Directors
Hakkı Hasan Yılmaz	Independent Member of the Board of Directors
Mustafa Bilgutay Yaşar	Statutory Auditor
Yüksel Toparlık	Statutory Auditor
Recep Biyık	Statutory Auditor
Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
Demir Aytaç	Assistant General Manager
Cem Lütfi Rodoslu	Assistant General Manager
Hakan Şevki Tuncer	Assistant General Manager
Tarık Karlıdağ	Director
Mustafa Murat Bartın	Director

The Board of Directors consisted of 9 members in 2012: Fevzi Bülend Özyıldın served as the Chairman and Nicholas Stathopoulos, Stefano Ferraresi, Ömer Özgür Tort, Giovanni Maria Cavallini, Glen Allen Osmond, Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt and Hakkı Hasan Yılmaz served as members.

Changes to the Board of Directors and related information are presented in detail in the Board of Directors section of the Annual Report.

## PART III - STAKEHOLDERS

### 13. Informing Stakeholders

The corporate governance practices of Migros guarantee the rights of its stakeholders, also governed by law, regulations and mutual contractual agreements. The employees, shareholders, subsidiaries of and third-party individuals or entities with which the company has business relationships may submit suggestions or report violations on corporate governance issues directly to the executives of the company. Such submissions or reports are evaluated and necessary feedback is provided to the applicants. Migros publishes the names and contact information of the department heads of the company on its corporate website thus making it possible for stakeholders to directly contact the manager overseeing a particular issue and direct their questions and opinions to the relevant person firsthand. The objective of this model is to allow for the establishment of a more transparent and effective communications model between the company and its stakeholders.

The Investor Relations Department keeps shareholders and other interested parties informed through such means as press releases and investor presentations.

The section of the Migros Code of Conduct concerning employees is presented under the title of "Rules of Ethics" and other principles are presented below:

#### **The responsibilities of Migros towards other companies**

1. Migros abides by the law in all of its activities.
2. Migros does not derive any unlawful benefit from any person or entity under any circumstances. Procurement decisions regarding goods and services are made based on well-established and publicly disclosed criteria.
3. It is important for Migros that its business partners do not damage its image and reputation and that they respect the accepted business values of the company.
4. Migros checks and monitors the services it obtains on an ongoing basis from other organizations to ensure that they are provided in full legal compliance.
5. Migros does not share the confidential information of its suppliers with any third party without permission.

#### **Social responsibilities of Migros**

1. Migros strives to upgrade its service standards in order to satisfy the expectations of its customers.
2. Migros seeks to set an example for the community by fulfilling all of its tax and other obligations in a complete and timely manner.
3. Migros does not make any derogatory, derisive or offensive statements about other companies, organizations, products or individuals.
4. Migros takes the utmost care in all its activities to preserve nature and historic integrity while acting in accordance with customs and traditions of the community and observing legal rules and regulations.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

#### **The responsibilities of Migros employees towards the company**

1. Migros employees categorically reject any pecuniary or non-pecuniary incentives which may come from any third parties within their areas of responsibility.
2. Migros employees inform their immediate superiors whenever they enter into a direct business relationship with a company in which a close relative is employed or he/she is a minority or majority partner.
3. Migros employees take utmost attention and care in their duties and they make every effort to ensure that the work they perform is higher in quality, faster and more efficient.

4. Migros employees refrain engaging in any action or behavior which would damage the image and reputation of the company and during work hours they comply with the generally accepted code of conduct and the dress policy of the company.
5. Migros employees do not remain indifferent or silent in any situation which runs counter to the interests of the company and shall notify the concerned business units.
6. Migros employees avoid waste by putting all the fixtures, tools and equipment owned by the company to use for their intended purposes. The employees do not use the resources and facilities of the company for their own private benefit.
7. Migros employees do not divulge any confidential or private information which they might be privy to due to their position or the work they perform outside the company and they do not give interviews or make statements of any kind to any media organization without the prior consent of the company management.

#### **The responsibilities of Migros employees towards other employees**

Migros employees do not share the private information regarding their co-workers they might be privy to with others outside the company.

#### **General responsibilities**

"The Migros Business Ethics Committee" is responsible for dealing with issues that are not addressed by the principles set forth above.

#### **14. Stakeholders' Participation in the company Management**

The Article No. 7 of "The Company's Responsibilities toward its Employees" section of the Migros Code of Conduct states: "In matters that are related to employees, Migros seeks to include the opinions of its employees as much as possible in any decision concerning the future of the company."

The Management of Migros gives a great deal of attention towards the achievement this goal. As a part of the business style of the company, Migros employees participate in the decision-making processes concerning their respective areas of work. Migros employees have the opportunity to communicate their new ideas, proposals and demands to the senior management of the company and Members of the Board of Directors directly or by e-mail.

#### **15. Human Resources Policy**

The Human Resources Department of Migros, in executing the company's strategies, aims to develop systems which will ensure the continuous improvement, motivation and management of the human resources staff and implement these systems in line with the corporate principles of the company. Our human resources are our most important asset. The quality of our products and services reflects the quality of our employees. In our endeavor to create a Company spanning generations, we choose attracting and employing the best and most competent people; taking maximum advantage of our people's abilities, strengths and creativity; increasing their individual productivity; providing them opportunities to develop themselves; and creating a workplace in which teamwork and solidarity flourish

A company internal hotline has been set up to increase employee satisfaction by responding to personnel problems in the fastest way possible. The hotline responded to more than 22,000 calls (an average of 1,800 calls a month) during 2012.

#### **Our Principles**

##### **Strategic Use of Human Resources**

The Human Resources Department of Migros places the human element on a high pedestal by giving it great strategic importance and creates awareness of its strategic value. Human resources strategies are designed to create and develop a reliable, fast and proactive organizational structure to sustain the industrial leadership of Migros in a competitive business environment. Employees are considered a strategic resource for it is believed that their experience and creativity would be the driving forces in the adaptation of the company to fast-changing competitive environment and new markets.

### **Superior Business Ethics and Integrity**

In all dealings with employees, the company accepts as a fundamental principle to act fairly, in good faith and in an understanding manner abiding by the rules of law and ethics.

### **Occupational Safety**

Migros assures its employees that it will fulfill all of its obligations towards them in compliance with the relevant laws and regulations.

The company, in order to ensure the safety of its employees in the workplace, complies not only with all legal requirements and regulations stipulated by the Labor and Occupational Safety Law but also with the industry standards on ergonomics and improvement of the working environment. Civil defense activities, which are of great importance for our country, and theoretical and practical training are also provided in cooperation with the concerned public institutions.

### **Equal Opportunities**

Migros provides services to its customers both in Turkey and overseas through an employee workforce comprising of individuals coming from many different linguistic, religious and ethnic backgrounds. All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles defined in detail. Through the human resource staff evaluation systems, Migros objectively monitors and assesses the competencies, skills and performances of its employees by common principles applied to all. Migros provides equal training, promotion, and career development and compensation opportunities to each of its employees based on the evaluation results through the Integrated Human Resource systems deployed by the company.

### **Human Resources Management**

The management of human resources processes and relations with employees at our Company, in line with established human resources policies and principles, is the responsibility of the Assistant General Manager for Human Resources and Industrial Relations; this function is clearly defined and undertaken within the regulations and business ethics principles of the company.

### **Participation and Transparency**

Managers and employees are the integral parts of human resources practices at Migros. Employees are updated on their roles and responsibilities regarding human resources policies and provided with guidance in fulfilling those responsibilities.

Human resources policies and processes are shared with employees on a regular basis by means of the communications resources (intranet, e-mail, distance learning and meetings) of the company. Employees have access to employee evaluations and are able to receive training and information on the practices and can monitor their individual results.

### **Competitiveness**

Migros plans and manages the professional development of its employees to help them sustain their competitiveness not only within the company itself but also on a professional level so as to allow the contribution of positive values to the economy, environment and community.

### **Commitment to Shared Values**

Our Corporate Culture is based on our shared values. These values are:

1. Reliability
2. Leadership
3. Empathy
4. Customer-orientation
5. Productivity
6. Innovativeness.

Actions of employees contradicting the company's shared values are dealt with appropriately and impartially through the warning system and disciplinary committee procedures. Conducting relations with employees at Migros is the primary function of the Industrial Relations Department. The objectives of this Department are to ensure that all laws and regulations are fully complied with by the company, oversee the legal and contractual rights of the employees and manage employee rights so as to maintain labor peace and fulfill all legal obligations.

## 16. Relations with Customers and Suppliers

Getting to know its customers and markets by monitoring and acting proactively on them and pioneering change are among the crucial factors behind the innovative business style of Migros. For this reason, a number of "firsts" such as consumer rights took hold in the retail industry only after they were introduced by Migros as early as in the 1960s and 1970s. By introducing the Migros Club system for the first time in Turkey, in 1998, Migros had an opportunity to become better acquainted with its customers and provide them with differentiated service. And through this system, the company gained the opportunity to approach its customers not only collectively but also individually by conducting customer data analyses. Migros aims to fulfill the expectations of its customers as satisfactorily as possible through the stores it operates in different formats.

In the retail industry where any product seen in any store can be imitated quickly, Migros' experience and deep-rooted innovation embedded in its corporate culture, as well as investments in supporting technology, together create a competitive advantage that cannot be easily replicated.

In the 1990s, Migros became the first retail company to introduce the barcode system and electronic cash registers which reduced waiting times at the checkout counters and decreased the company's operating costs dramatically. Thanks to the B2B system which has been set up jointly with suppliers, all the parties involved benefit from savings in both logistics and costs. This system benefits all the stakeholders, and especially the company's customers.

Migros has conducted a Customer Satisfaction Survey regularly since 1994. In 2012 survey, 5,430 of our customers who shop at our stores were asked about their opinion. The analyses undertaken on the survey results help us to have an idea about the current and future expectations of our customers. Occasional surveys conducted at kiosks inside the stores on specific matters provide the company with the chance to hear the customers and their expectations.

Customer Relationship Management (CRM) analysis of Migros Club data and the mystery shopper surveys which are aimed at improving the service levels are quality-based performance tools specific to Migros.

Some of the other activities undertaken to achieve customer satisfaction include:

- Migros was awarded ISO 9001-2000 Quality Management System certification in August 2005.
- Migros was awarded TS EN ISO 22000 Food Safety Management System certification by the Turkish Standards Institution (TSI) in December 2006. This certification covers retail, wholesale and online sales services as well as design and provision of organizational and logistic support services. In addition, Tansaş and Macrocenter stores were brought within the scope of TS EN ISO 9001-2000 certification which were awarded to the company previously.
- Migros selects each of its suppliers after conducting appropriate due diligence. Suppliers are audited at regular intervals by reputable independent organizations and products are subjected to periodic quality audits. Private label products are also included in the same quality control process.
- Every new product, which is offered for sale at the stores goes through a preliminary quality control process.
- Before the products are admitted to warehouses, "food engineers" subject them to sensory, chemical, physical and microbiological quality control tests. Those products which do not meet the quality standards are rejected.
- Meat products at the stores, warehouses and on the shelves are regularly checked by veterinarians to ensure food safety.

- Personnel employed at all the stores attend training programs on hygiene in order to ensure food safety.
- In the promotional program of the company we call "Aksiyon", products are offered for sale at discount prices for a period of 15 days
- All customer suggestions received at the stores or the Call Center are evaluated and the results are communicated to customers as soon as possible. Customers can forward their complaints quickly and easily to company store managers via a toll-free customer line and by e-mail which can be sent to managers at all levels.
- In keeping with its objective of exceeding customer expectations and making life easier through innovations, Migros introduced the first self-checkout solution "Jet kasa" to its customers in Turkey. "Jet kasa" eliminates the need to wait in line and allows customers to check-out by themselves in three easy steps. As the number of customers using 'Jet kasa' increases by the day, so does the number of stores featuring this facility.

Efforts to ensure full customer satisfaction are presented in the relevant section of the Annual Report.

### 17. Corporate Social Responsibility

Migros defines its responsibilities towards the society in the Migros Code of Conduct:

1. Migros strives to upgrade its service standards in order to meet the expectations of its customers.
2. Migros seeks to set an example for the community by fulfilling all of its tax and other obligations in a complete and timely manner.
3. Migros does not make any derogatory, derisive or offensive statements about other companies, organizations, products or individuals.
4. Migros takes the utmost care in all its activities to preserve nature and historical fabric of the society while acting in accordance with customs and traditions of the community and observing the legal rules and regulations.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

The corporate culture Migros has developed for more than half a century, includes its concern for public health and hygiene, sensitivity toward identifying and satisfying societal needs, organization of and participation in exemplary educational, cultural, athletic and social activities essential for social development as well as its corporate identity as an "Honest Retailer" sensitive to the environment.

As required by its sense of corporate social responsibility, Migros operates in compliance with laws, the rules of ethics, and respect for human rights in the conduct of all consumer-related services; fulfills the responsibilities incumbent upon it in the furtherance of registered-economy activities that give back to society by enriching national resources; contributes to formal employment through its upholding of statutorily-mandated employee rights. The company also shares its sense of social responsibility with its social stakeholders - employees, suppliers, subsidiaries, investors and customers and with the public at large. Great importance is given to supporting and spreading of such pioneering and value-adding practices for the improvement of the society.

Migros is aware a good reputation can be ruined in a single blunder. Migros acts ethically and with integrity in every practice it engages in. The company is well aware that trust cannot be won easily, and that it is a bond that grows and develops slowly over a long period of time between a company and its customers and that once broken, cannot be saved by quick fixes. Migros has been protecting the good health and rights of its customers since 1954. Many innovative practices introduced by Migros encourage good shopping habits and foster consumer awareness. These practices subsequently became industry standards and some have even been made into law.

Specific details of the activities undertaken by the company in the field of social responsibility are presented in the relevant sections of the Annual Report.

## PART IV - BOARD OF DIRECTORS

### 18. Structure and Formation of the Board of Directors and Independent Members

The Board of Directors of Migros consists of 9 members elected by the General Assembly. Members of the company's Board of Directors are elected to terms of not more than three years, unless a shorter term of office has been stipulated at the general meeting at which they were elected. A board member whose term of office expires may be reelected. A general assembly may replace any board member at any time that it deems such replacement to be necessary. These issues are set forth in the company's articles of incorporation.

#### Board of Directors

Fevzi Bülend Özaydınlı	Chairman
Nicholas Stathopoulos	Member
Stefano Ferraresi	Member
Ömer Özgür Tort	Member
Giovanni Maria Cavallini	Member
Glen Allen Osmond	Member
Jacob Cornelio Adriano de Jonge	Independent Member
Tayfun Bayazit	Independent Member
Hakkı Hasan Yılmaz	Independent Member

According to the allocation of duties within the Board of Directors, Fevzi Bülend Özaydınlı serves as the Chairman of the Board of Directors.

The Board of Directors identifies strategic objectives taking into account both the requirements of laws and regulations and the company's articles of association and internal directives. The board formulates the most appropriate balance among between growth and the issues of risk vs return in line with these objectives and, mindful of the company's long-term interests, administers the company transparently, accountably, justly, and responsibly.

#### Resumes of the board members

##### Fevzi Bülend Özaydınlı

Born in 1949, F. Bülend Özaydınlı received his bachelor's degree from the American University of Beirut. He started his career at OYAK in 1972 where he held various senior management positions until 1987. Before leaving OYAK, Özaydınlı had served as Assistant General Manager of Associates for 8 years and held seats on the boards of directors of numerous companies. He joined the Koç Group in 1987.

After serving as Maret Assistant General Manager, F. Bülend Özaydınlı was the General Manager of Migros Türk T.A.Ş. for 10 years. He was appointed as the President of Koç Fiat (Tofaş) Division in 2000; in addition to that position, he was named the Deputy CEO of the Koç Group in 2001.

Having held the position of Koç Holding CEO from 2002 until May 2007, Özaydınlı served on the boards of directors of Koç Holding, Arçelik, Tofaş, Ford Otosan, Koç Finansal Hizmetler, Migros, Tüpraş and Türk Traktör companies, as well as Vehbi Koç Foundation.

F. Bülend Özaydınlı has been working as the Chairman of the Board at Migros since May 2008.

#### External Positions Held

Fevzi Bülend Özaydınlı, the Chairman of the Board at Migros, serves as the Chairman of the Board at Baracuda Su Ürünleri Sanayi ve Ticaret Anonim Şirketi.

### **Ömer Özgür Tort**

Born in 1973, Ömer Özgür Tort received his undergraduate degree in industrial engineering from İstanbul Technical University, upon which he went to US for graduate studies. He got his master's degree in engineering management from the University of Missouri in 1996.

He started his business life as an industrial engineer at Migros Türk T.A.Ş. in 1996, where he became International Investments Coordination Manager in 1998. In 2001, he assumed additional responsibility as CRM Applications Manager. Tort worked as Assistant General Manager of Sales and Marketing at Ramenka from 2002 to 2006, when he returned to Turkey and carried on with his career as Assistant General Manager of Human Resources at Migros Türk T.A.Ş.

Tort has been serving as the General Manager and a board member at Migros since August 2008.

#### **External Positions Held**

Ömer Özgür Tort also serves as the Chairman of the Board of Sanal Merkez Ticaret A.Ş., a subsidiary of Migros Ticaret A.Ş. He is also a board member at Trade Council of Shopping Centers and Retailers (in Turkish: AMPD).

### **Nicholas Stathopoulos**

Born in 1969, Nicholas Stathopoulos got his undergraduate degree in business administration from the University of Athens, followed by a graduate degree from the Harvard Business School.

He began his career in 1995 at the Boston Consulting Group (BCG), where he worked until 1998. Having been a partner at Apax Partners from 1998 until 2005, Stathopoulos has been serving as a managing partner at BC Partners since 2005.

Nicholas Stathopoulos has been a board member at Migros since May 2008.

#### **External Positions Held**

Nicholas Stathopoulos serves as the managing partner at BC Partners. He also holds seats on the boards of directors of Gruppo Coin SpA and Com Hem AB companies.

### **Stefano Ferraresi**

Born in 1972, Stefano Ferraresi received his undergraduate degree in business administration from Bocconi University in Italy, and his graduate degree from the Stockholm School of Economics.

Having started his business life at Barclays Capital, Ferraresi worked in the Finance Department at Merrill Lynch London office from 2000 to 2002. Ferraresi has been a director at BC Partners since 2002.

Stefano Ferraresi has been a board member at Migros since May 2008.

#### **External Positions Held**

Stefano Ferraresi functions as a director at BC Partners. He also holds a seat on the Board of Directors of Gruppo Coin SpA.

### **Giovanni Maria Cavallini**

Born in 1950, Giovanni Maria Cavallini got his bachelor's degree in civil engineering from Politecnico di Milano University in Italy and his master's degree from the Harvard Business School.

He began his career in 1978 at the Boston Consulting Group; from 1988 to 1994, he served as the CEO of Società Iniziative Commerciali, and as a member of the Board of Directors at Società Sviluppo Commerciale. He served as the Chairman of the Board at OBI Italy (Tengelmann Group) from 1994 to 1996, and has been the CEO and Chairman of the Board of Interpump Group S.p.A. since 1996.

Giovanni Maria Cavallini has been a board director at Migros since 2009.

### **External Positions Held**

Giovanni Maria Cavallini serves as the CEO and Chairman of the Board of Interpump Group S.p.A. He also holds seats on the boards of directors of Ansaldo STS and Brembo S.p.A. companies.

### **Glen Allen Osmond**

Born in 1971, Glen Allen Osmond received his bachelor's degree in economics from the Brigham Young University, and his master's degree from the Kellogg School of Management.

He began his business life at Bain & Company in 1996, and worked at Kidd & Company in 2000 and 2001. Osmond worked for MESA Investment Advisory from 2003 to 2007, and he has been serving at State General Reserve Fund since 2012.

### **External Positions Held**

Glen Allen Osmond functions as an executive at State General Reserve Fund.

### **Independent Board Members**

#### **Jacob Cornelio Adriano de Jonge**

Born in 1953, Jacob Cornelio Adriano de Jonge studied at the Department of Philosophy and Arts at the United States International University.

He began his career at Makro Brasil in 1977, where he held various positions in different countries. He left the company in 2003, when he was holding the position of CEO of Makro Thailand. Having served as the COO of Walmart from 2003 to 2005, Jonge was the CEO of De Bijenkorf from 2007 until 2012.

Jacob Cornelio Adriano de Jonge possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

### **External Positions Held**

Jacob Cornelio Adriano de Jonge serves as the CEO of V&D BV company and as a member of the Advisory Board of Agri Holding BV company.

### **Tayfun Bayazıt**

Born in 1957, Tayfun Bayazıt got his bachelor's degree in mechanical engineering from the Southern Illinois University, followed by a master's degree from Columbia University.

Having started his career at Citibank in 1980, Bayazıt assumed various positions at Yapı Kredi Bank from 1982 until 1995 and left the bank when he was serving as Assistant General Manager. He functioned as the General Manager of Interbank from 1995 to 1996, and of Banque de Commerce et de Placements from 1996 to 1999. Having worked as Vice President at Doğan Holding from 1999 until 2001, Bayazıt was the CEO and a board member of Dışbank (2001-2005), Fortis Bank (2005-2007), and Yapı Kredi Bank (2007-2009). Having held the position of Managing Director at Yapı Kredi Bank from 2009 to 2011, Bayazıt has been serving as an advisor since 2011.

Tayfun Bayazıt possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

### **External Positions Held**

Tayfun Bayazıt is a founding partner of Bayazıt Yönetim Danışmanlık Hizmetleri Ltd. Şti. He is an independent member on the boards of directors of Doğan Şirketler Grubu Holding A.Ş. and TAV Havalimanları Holding A.Ş. Serving as the country corporate officer at Marsh & McLennan Group, Turkey, Bayazıt holds seats on the boards of directors of Marsh Sigorta ve Reasürans Brokerliği A.Ş., Tam Faktoring A.Ş., Vector Yatırım A.Ş., Beşiktaş Gayrimenkul Geliştirme San. ve Tic. Ltd. Şti., Bomonti Gayrimenkul Pazarlama İnşaat ve San. Tic. A.Ş. and Embarq, Turkey companies, and on the advisory board of Taaleritehdas Asset Management Ltd., Finland. He is also a faculty member at Koç University and the Vice President of the Board of Directors of TÜSİAD (Turkish Industry and Business Association).

### **Hakkı Hasan Yılmaz**

Born in 1957, Hakkı Hasan Yılmaz got his bachelor's degree in industrial engineering from the Middle East Technical University.

He began his business life at Presiz Metal İmalat Sanayi and then worked as a market analyst at TAKSAN Takım Tezgahları A.Ş. and as a capital goods specialist at DPT (State Planning Organization) from 1981 to 1984. He assumed various positions at Unilever from 1984 until 1995, when he left the company while serving in the position of Regional Leader responsible for East Asia detergent business. He served as the Chairman and CEO of Uzay Gıda from 1995 to 1996. He was the Chairman and CEO of nine entities in Turkey, in which Unilever was the majority shareholder, from 1996 to 2000.

He taught at Koç University from 2000 to 2002, when he joined Koç Holding as President of Food, Retailing and Tourism. Since 2005, he has been lecturing at Koç University. He was a member of the Board of Directors of Migros from April 2002 until April 2006. He has been the CEO of Fenerbahçe Futbol A.Ş. since 8 January 2013.

Hakkı Hasan Yılmaz possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

### **External Positions Held**

Serving in the position of CEO of Fenerbahçe Sports Club and Fenerbahçe Futbol A.Ş. since 8 January 2013, Hakkı Hasan Yılmaz holds a seat on the Board of Directors of Hürriyet Gazetecilik ve Matbaacılık A.Ş. and on the advisory board of Mudo A.Ş. He is also a faculty member at Koç University.

On 6 June 2012, each of the company's independent board members individually signed an independent board member's affidavit, the text of which is presented below, and submitted their affidavit to the company.

## Independent Board Members' Affidavit

To the Board of Directors of Migros Ticaret Anonim Şirketi ("the company"):

Owing to my having been proposed as a candidate for a seat as an independent board member on your company's Board of Directors at your company's general meeting to be held on 28 June 2012, I hereby declare and wish it to be known by all Company organs, shareholders, and other interested parties that I am a candidate to serve as an independent board member at the company within the framework of the company's articles of association and the criteria of the Capital Markets Board's Corporate Governance Principles and that I possess the qualifications to do so and furthermore:

- a) That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the company, or with any related parties of the company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the company's capital or management;
- b) That within the most recent five years, I have neither been employed by nor served as a board member in any company, including companies involved in the company's auditing, rating, or consulting functions, which controls all or any part of the company's activities or organization within the framework of any agreement that has been entered into;
- c) That within the most recent five years, I have been neither a partner, nor an employee, nor a board member in any firm which provides the company with substantial amounts of any products or services;
- d) That no shareholding interest that I may have in the company amounts to more than 1% of the company's capital and that none of these shares entail any special rights;
- e) That, as may be seen from my resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors;
- f) That, as of the date on which my candidacy for board membership was proposed and this affidavit is submitted, I am not a full-time employee of any public agency or organization and that, if elected, I shall not be for the duration of my term of office;
- g) That I am a resident of Turkey as defined in the Income Tax Law;
- h) That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the company's affairs, to maintain my impartiality in any disputes that may arise among the company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- i) That I will be able to devote to the company's affairs an amount of my time sufficient to keep track of the conduct of the company's activities and to fully satisfy the requirements of the duties I will be undertaking.

Jacob Cornelio Adriano de Jonge

To the Board of Directors of Migros Ticaret Anonim Şirketi ("the company"):

Owing to my having been proposed as a candidate for a seat as an independent board member on your company's Board of Directors at your company's general meeting to be held on 28 June 2012, I hereby declare and wish it to be known by all Company organs, shareholders, and other interested parties that I am a candidate to serve as an independent board member at the company within the framework of the company's articles of association and the criteria of the Capital Markets Board's Corporate Governance Principles and that I possess the qualifications to do so and furthermore:

- a) That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the company, or with any related parties of the company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the company's capital or management;
- b) That within the most recent five years, I have neither been employed by nor served as a board member in any company, including companies involved in the company's auditing, rating, or consulting functions, which controls all or any part of the company's activities or organization within the framework of any agreement that has been entered into;
- c) That within the most recent five years, I have been neither a partner, nor an employee, nor a board member in any firm which provides the company with substantial amounts of any products or services;
- d) That no shareholding interest that I may have in the company amounts to more than 1% of the company's capital and that none of these shares entail any special rights;
- e) That, as may be seen from my resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors;
- f) That, as of the date on which my candidacy for board membership was proposed and this affidavit is submitted, I am not a full-time employee of any public agency or organization and that, if elected, I shall not be for the duration of my term of office;
- g) That I am a resident of Turkey as defined in the Income Tax Law;
- h) That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the company's affairs, to maintain my impartiality in any disputes that may arise among the company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- i) That I will be able to devote to the company's affairs an amount of my time sufficient to keep track of the conduct of the company's activities and to fully satisfy the requirements of the duties I will be undertaking.

Tayfun Bayazit

To the Board of Directors of Migros Ticaret Anonim Şirketi ("the company"):

Owing to my having been proposed as a candidate for a seat as an independent board member on your company's Board of Directors at your company's general meeting to be held on 28 June 2012, I hereby declare and wish it to be known by all Company organs, shareholders, and other interested parties that I am a candidate to serve as an independent board member at the company within the framework of the company's articles of association and the criteria of the Capital Markets Board's Corporate Governance Principles and that I possess the qualifications to do so and furthermore:

- a) That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the company, or with any related parties of the company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the company's capital or management;
- b) That within the most recent five years, I have neither been employed by nor served as a board member in any company, including companies involved in the company's auditing, rating, or consulting functions, which controls all or any part of the company's activities or organization within the framework of any agreement that has been entered into;
- c) That within the most recent five years, I have been neither a partner, nor an employee, nor a board member in any firm which provides the company with substantial amounts of any products or services;
- d) That no shareholding interest that I may have in the company amounts to more than 1% of the company's capital and that none of these shares entail any special rights;
- e) That, as may be seen from my resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors;
- f) That, as of the date on which my candidacy for board membership was proposed and this affidavit is submitted, I am not a full-time employee of any public agency or organization and that, if elected, I shall not be for the duration of my term of office;
- g) That I am a resident of Turkey as defined in the Income Tax Law;
- h) That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the company's affairs, to maintain my impartiality in any disputes that may arise among the company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- i) That I will be able to devote to the company's affairs an amount of my time sufficient to keep track of the conduct of the company's activities and to fully satisfy the requirements of the duties I will be undertaking.

Hakkı Hasan Yılmaz

### 19. Qualifications of the Members of the Board of Directors

Each member of the Board of Directors possesses the qualifications listed in the Article 4.3 of Section IV of CMB's Communique on Determination and Application of Corporate Governance Principles. They are also professionals whose knowledge, experience and educational backgrounds are exemplary both in the industry and throughout the business world.

Under article 4.3.4 of "CMB Communique IV:56 concerning the determination and application of corporate governance principles", the number of independent board members on a Board of Directors may not be less than one-third of the board's total membership. When determining the number of independent board members, fractions must be treated as whole numbers but in no case may the number of independent board members on a board be fewer than two. In compliance with this article of the communique, three of the members of the Migros Board of Directors are independent board members.

### 20. Mission, Vision and Strategic Goals of the Company

Our vision is to be in tune with each and every consumer by providing a service in different formats in line with the strategy of expanding in the retail industry in Turkey and neighboring countries and always being ahead of consumer expectations.

Our mission is to strengthen our leadership position in the Turkish retailing industry and become a strong and exemplary regional retail chain by ranking first or second in our operating countries.

In line with this mission, Migros structures its strategies to achieve sustainable quality and earn respect as the industry leader through an approach to customer satisfaction which raises the standards of retailing in the countries in which it is active.

The senior management of the company develops strategies to achieve these objectives in accordance with the vision defined by the Board of Directors. Accordingly, our main strategy is to provide our customers with high quality, modern, reliable services at affordable prices. Targets set to achieve these strategies are shared with all the organizational units and supported by business plans. The Corporate Performance Management System in place facilitates monitoring and evaluation of these targets and business results as well as their assessment and revision whenever necessary.

Annual, quarterly and monthly reporting structures have been created to enable the Board of Directors to carry out its basic administrative functions such as planning, organizing and supervising.

Board members are updated on the progress and direction of the company's business results via meetings in which the annual updates of long term five-year plans are presented and reviewed; annual budget is discussed and monthly performance results are presented and the Board's feedback is sought. In addition, detailed monthly progress reports are prepared and submitted to the Board allowing the members to monitor the company's efforts to achieve objectives and immediately intervene and provide guidance when necessary.

## 21. Risk Management and Internal Control Mechanism

The purpose of the Internal Control System at Migros is to provide management with independent information on the functional, operational and financial performance of audited business processes or units. This enables management of identified or predicted risks, and systematic establishment and operation of necessary control mechanisms.

In the scheduled financial and operational audits carried out, the Internal Audit Department of Migros investigates and reviews:

- Effective and efficient utilization of the resources of the company,
- Effectiveness of the internal control mechanisms on operations and activities,
- Reliability of financial statements,
- Confirmation of Company assets
- Efficiency and effectiveness of business operations,
- Compliance of employees with the quality management documentation and administrative instructions approved by the management,

One of the basic duties of the audit department is to investigate and examine and, when necessary, to conduct re-audits of activities and transactions which previously had been determined and reported as having elements of risk in order to ascertain the degree to which such risks have been eliminated or brought under control in line with management-approved recommendations.

Irregularities uncovered during the audit operations are investigated in detail to allow for the taking of necessary measures. In addition, proposals are made to compensate for the losses incurred by the company. The efforts focus mainly on the changes to be made to the processes to prevent any similar situations.

Within this framework, the Internal Audit Department performed financial and operational audits in line with risk analysis conducted in 2012 and the annual internal audit schedule. The assessment, recommendations and areas of improvement identified during the audit reviews have been presented to the senior management of the company in the form of audit reports. In addition to financial and operational audits, the Internal Audit Department also performed follow-up audits on issues that were reported to the senior management before and for which actions plans were put in place for corrections.

As required by the new trade law, by Capital Markets Board laws and regulations, and by CMB "Communique concerning the determination and application of corporate governance principles", the Board of Directors has set up an Early Detection of Risk Committee. Pursuant to a Board of Directors resolution dated 9 October 2012, Independent Board Member Tayfun Bayazit, Independent Board Member Jacob Cornelio Adriano de Jonge, Board Member Stefano Ferraresi, and Migros Assistant General Manager for Financial Affairs Erkin Yılmaz were elected members of this committee. In compliance with CMB regulations, Jacob Cornelio Adriano de Jonge serves as this committee's chairman.

## 22. Authorities and Responsibilities of the Members of the Board of Directors and Executives

The duties and authorities of the members of the Board of Directors are clearly delineated and defined in the Articles of Association of the company, which can be accessed at the Migros corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

The Board of Directors of Migros is authorized to decide on all matters with the exception of those for which responsibility cannot be delegated by the General Assembly according to the Turkish Commercial Code and the Articles of Association of the company.

## 23. Principles of Activity of the Board of Directors

The Board of Directors passed 21 resolutions on various matters in 2012. At least six (6) members were in attendance during each of these meetings. Pre-meeting and post-meeting activities are organized by a Secretariat responsible for such matters. The Secretariat keeps records in an orderly manner; the records are copied to the minutes book of the Board of Directors and made available for review by all members of the Board. Any and all manner of views may be expressed during board meetings. If any dissenting votes are cast against

a particular resolution, information about this is included in the minutes along with the justifications for such dissent. No dissenting opinions were entered into the minutes of any board meetings that took place during 2012. Any questions which may be raised by board members and the answers given to them are also entered into the minutes. Issues pertaining to board meetings and decision quora are governed by the Turkish Commercial Code.

The agendas for board meetings are determined in line with the suggestions and guidance of board members and senior executives. Even if no other item has been placed on a meeting's agenda, the company's monthly financial statements and investment program are discussed.

Each Member of the Board of Directors of Migros is entitled to a single vote. Members are not granted any weighted voting rights or positive/negative veto rights.

Members of the Board of Directors are not allowed to cast votes concerning agenda items which would acquit board members of their fiduciary responsibilities.

#### **24. Prohibition from Engaging in Transactions and Competing with the company**

None of the Members of the Board of Directors was involved in any business transactions or competition with the company during the reporting period.

#### **25. Code of Ethics**

The Principles of Business Ethics of Migros are grouped under the following headings:

- The responsibilities of the company towards its employees
- The responsibilities of employees towards the company
- The responsibilities of Migros towards other companies
- Responsibilities of the company towards the society
- General responsibilities.

The responsibilities of the company towards its employees and the information about the other categories of business ethics principles have been described in the various sections of this Corporate Governance Compliance Report.

The company considers its employees as one of its most valuable assets in today's tough market conditions. One of our Company's greatest competitive advantages is its experience in the industry and qualities possessed and continuously improved by its employees.

#### **The responsibilities of Migros towards its employees**

1. Migros is in full compliance of its legal obligations to its employees; in situations where the requirements of law are ambiguous, Migros consults professionals who are experts in the relevant fields.
2. Migros protects the rights of its employees within the framework of its business ethics rules in situations where laws do not sufficiently address to.
3. Candidates for employment, promotion and appointment are evaluated based on their qualifications; all employees are provided equal opportunity.
4. Migros does not get involved in the personal affairs or private lives of its employees and holds all of the private information about its employees in strict confidence.
5. Migros helps its employees to develop professionally and personally by providing them training.
6. Migros does not discriminate on the basis of sex, age, ethnic origin or religion.
7. In matters that are related to employees, Migros seeks to include their opinions as much as possible in any decisions that are related to the future of the company.
8. Migros provides hygienic and safe working conditions as dictated by the requirements of law and circumstances, and seeks to improve them to the best of its ability.
9. Migros holds private information about its employees that it may receive through various means in strict confidentiality and does not divulge any of it (e.g. medical records, shopping habits, economic data, and the like).

## 26. Number, Structure and Independence of the Committees Established by the Board of Directors

An audit committee and an early detection of risk committee have been set up both in compliance with the requirements of the CMB's "Communique concerning the determination and application of corporate governance principles" and in order to help the Board of Directors better fulfill its duties and responsibilities. Owing to the structure of the board, neither a nominating committee nor a remuneration committee has been set up: the functions of such committees are performed by the Corporate Governance Committee. These committees' areas of responsibility, their working principles, and their memberships are determined and publicly disclosed by the Board of Directors. Every possible effort is made to avoid having any single board member serving on more than one committee.

As required by the CMB's "Communique concerning the determination and application of corporate governance principles", all of the members of the Audit Committee are chosen from among the board's independent board members, who are also the only candidates allowed to head the other committees. No executive board member or general manager may serve on these committees.

### a) Audit Committee

At a meeting of the Board of Directors held on 9 October 2012, it was decided that the Audit Committee should consist of two independent board members and that Hakkı Hasan Yılmaz and Tayfun Bayazıt were elected to fill these seats. In compliance with CMB regulations, Tayfun Bayazıt was chosen to serve as committee chairman. The Audit Committee is formed of two members and convenes four times a year.

### b) Corporate Governance Committee

The Board of Directors of Migros also formed a Corporate Governance Committee which is responsible for monitoring the Corporate Governance practices across the company and coordinating the activities of the Investor Relations Department. At a meeting of the Board of Directors held on 9 October 2012, it was decided to elect Hakkı Hasan Yılmaz, Nicholas Stathopoulos, and Affan Nomak to seats on the Corporate Governance Committee. In compliance with Capital Markets Board regulations, Hakkı Hasan Yılmaz was chosen to serve as committee chairman. It was decided that the Corporate Governance Committee should also perform the duties of both a nomination committee and a remuneration committee as provided for under CMB Communique IV:56 concerning the determination and application of corporate governance principles.

The working principles of the Corporate Governance Committee are determined by the Board of Directors in line with the requirements of CMB Communique IV:56 and the requirements of Turkish commercial law. The committee's duties consist of overseeing the company's compliance with corporate governance principles, with taking such action as may be required by current Capital Markets Law and other applicable laws, regulations, and administrative provisions, and with making such recommendations to the Board of Directors as may be deemed to be necessary to constantly improve the company's performance in the area of corporate governance. The Corporate Governance Committee is formed of three members and convenes four times a year.

### c) Early Detection of Risk Committee

At a meeting of the Board of Directors held on 9 October 2012, it was decided to elect Tayfun Bayazıt, Jacob Cornelio Adriano de Jonge, Stefano Ferraresi, and Erkin Yılmaz to seats on an early detection of risk committee which had been set up in compliance with the requirements of Turkish commercial law, capital market laws and regulations, and corporate governance principles. As also required by Capital Markets Board regulations, Jacob Cornelio Adriano de Jonge was designated as the committee's head.

The working principles of the Early Detection of Risk Committee are determined by the Board of Directors in line with the requirements of Turkish commercial law and capital market laws and regulations. The committee's duties consist of identifying and assessing risks that are entailed by the company's current financial standing, taking measures to deal with such risks, and to coordinate matters related to the management of risks. The Early Detection of Risk Committee is formed of four members and convenes six times a year.

## 27. Remuneration of the Board of Directors

The forms of remuneration which are to be provided to board members are discussed under a separate agenda item at general assembly meetings. At the company's annual general meeting on 28 June 2012, shareholders voted to pay independent board members a gross fee in the amount of TL 16,000 for each board meeting that they attend and not to pay the other board members a monthly fee for such attendance. The benefits which are provided to senior executives are itemized in the footnotes to the financial statements.

A board member and senior executive remuneration policy spelled out in accordance with the requirements of "CMB Communique concerning the determination and application of corporate governance principles" was submitted for the information of shareholders at the 28 June 2012 annual general meeting. It has also been published on our corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

### Benefits provided to senior executives during the reporting period

"Senior management" is defined as consisting of the chairman and members of the company's Board of Directors, general managers, and assistant general managers.

Details concerning benefits provided to senior executives during the two most recent reporting periods are presented below.

(TL 1,000)	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
Short-term benefits provided to employees	11,076	11,682
	<b>11,076</b>	<b>11,682</b>

The benefits provided to senior executives consist of salaries, bonuses, pension contributions, company-leased automobiles, employer's share of social security premiums, and board honorariums.

Migros makes no loans and extends no credit to any senior executive. Neither does it extend any form of personal credit to senior executives through third parties or otherwise provide senior executives with any form of surety.

## 28. Other issues

Changes that were made in the statutory and regulatory frameworks in Turkey during 2012 have had a significant impact on the activities of all companies but especially those of publicly traded firms. A new Turkish Commercial Code that went into effect on 1 July 2012 brings with it a number of substantial innovations in Turkish commercial life. New rules arising from the new Capital Markets Law that went into effect at the beginning of the year are also expected to contribute to the growth and development of Turkey's capital markets.

No administrative or criminal proceedings of a significant nature have been initiated against the company or any of its board members on account of any violation of laws or regulations.

A number of lawsuits that have been filed against or in favor of the company are currently being litigated. These suits are concerned primarily with receivable-, rent-, or business-related issues. At the end of each reporting period, the company's management reviews and assesses the potential consequences and financial impact of such litigation and, based on its best judgment, provisions are set aside to cover likely losses or gains. Detailed information about such matters is provided in the footnotes to the consolidated financial statements.

The company is not a party to any mutual cross-shareholding that involves more than 5% of any entity's capital.