

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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# Corporate Governance Principles Compliance Report

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## 1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Order-in-Council 654 published in (duplicate) issue 28081 of Turkish Trade Registry Gazette (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 28081 of Turkish Trade Registry Gazette on 11 October 2011. Amendments in this communique were published in issue 28201 of Turkish Trade Registry Gazette on 11 February 2012 in the form of "Communique concerning the amendment of the communique concerning the determination and application of corporate governance principles" (IV:57) and went into force the same day. The execution of provisions of the communique is carried out by the Capital Markets Board.

Migros Ticaret AŞ gives great importance to compliance with the corporate governance principles published by CMB in the appendix to "Communique concerning the determination and application of corporate governance principles". 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 that we may be an exemplary company on such issues, the company's practices are continuously reviewed and improvements in them are made where 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 to monitor corporate governance activities throughout the company and to supervise the Investor Relations Department. Nicholas Stathopoulos, Ömer Özgür Tort, Erkin Yılmaz and Affan Nomak are the elected members of the Corporate Governance Committee since 1 August 2011.

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.

You can access the Corporate Governance Principles Compliance Report of Migros at [www.migroskurumsal.com](http://www.migroskurumsal.com) by visiting the Investor Relations section where you can also find the Annual Reports of previous years.

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## 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 capital market laws and regulations and with CMB regulations, communiques, and principles in the conduct of its activities. The main duties and responsibilities of the Investor Relations Department are the following:

- Conduct matters related to company general assembly meetings;
- Conduct matters related to share capital increases;
- Conduct matters related to dividend payments;
- 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;
- Coordinate corporate governance-related projects and activities;
- Prepare quarterly and yearly presentations that are to be made to investors;
- Provide analysts, fund managers, and shareholders with information about the company.

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 Inc. advising Migros. The retroactive transactions of a total of 138 Migros and 12 Tansaş shareholders who had not exercised their bonus stock options in time and/or claimed their dividend entitlements during the year were carried out at the Company headquarters. 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.

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## 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.

### Auditing

According to the Articles of Association of Migros, 3 (three) auditors, either among the shareholders or from outside, shall be elected by the General Assembly for a maximum 3 (three) years.

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." (Member of Deloitte Touche Tohmatsu International), which was nominated by the Board of Directors, serve as the independent auditor for 2011 fiscal year.

At the meeting of the Board of Directors of Migros, held on 29 March 2012, 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 2012 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. At the meeting of the Board of Directors of the Company held on 1 August 2011, Stefano Ferraresi and Evren Rıfki Ünver were elected as members of the Audit Committee.

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.

General assembly meetings are held at the company's headquarters, whose address is Turgut Özal Caddesi No: 12 34758 Ataşehir İstanbul. General Assemblies are open to all stakeholders and media representatives.

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 2010 are reviewed, was held at Migros Ticaret A.Ş. Head Office Building located at Turgut Özal Caddesi No. 12 34758 Ataşehir/İstanbul on 26 May 2011 at 10:00. Ministry Representative Fatma Yazıcı, appointed by Letter No. 32527 dated 25 May 2011 from the Istanbul Provincial Directorate of Industry and Commerce under the Ministry of Industry and Commerce, 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 were made available to shareholders for their examination at the Company's headquarters as of 10 May 2011.

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 178,030,000 Turkish lira, a total of 14.381.998.701.3 shares equaling 143,819,987,013 Turkish lira were represented at the General Assembly.

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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 3 June 2011, Issue 7829 and delivered to shareholders by fax and e-mail upon their request.

At the annual general assembly of Migros Ticaret AŞ held on 26 May 2011 it was decided to set the current year's profit aside as an extraordinary reserve and not to pay out a dividend.

## 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](http://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 Payment Policy and Timing

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 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 communiqués 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 Articles of Association of the Company does not contain any provisions restricting the transfer of shares. According to the Articles of Association, the Board of Directors is authorized to make decisions on issuing shares priced above their nominal value and to impose restrictions on the rights of existing shareholders to acquire new shares.

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## 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 Communiqué Serial: VIII, No. 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 2011, 32 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 communiqués 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 2011, 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.

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## 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.

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 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. The Investor Relations webpage is updated as needed and allows our investors to access up-to-date information easily.

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 2011 annual report.

Pursuant to CMB Communiqué Serial: VIII, No. 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. Material event disclosures concerning a sale of shares made by the firm of MH Perakendecilik ve Ticaret AŞ, which is Migros' biggest shareholder, were publicly disclosed by being sent to the Public Disclosure Platform system by MH Perakendecilik ve Ticaret AŞ.

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## 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 Bülent Özyaydınlı	Chairman and Executive Member
Antonio Belloni	Member of the Board of Directors
Nicholas Stathopoulos	Member of the Board of Directors
Stefano Ferraresi	Member of the Board of Directors
Cedric Brice Dubourdieu	Member of the Board of Directors
Evren Rifki Ünver	Member of the Board of Directors
Ömer Özgür Tort	Member of the Board of Directors / General Manager
Pedro Miguel Stemper	Member of the Board of Directors
Giovanni Maria Cavallini	Member of the Board of Directors
Sharifa Salim Mohamed Al Busaidy	Member of the Board of Directors
Carlo Francesco Frau	Member of the Board of Directors
Mustafa Bilgutay Yaşar	Statutory Auditor
Yüksel Toparlak	Statutory Auditor
Recep Bıyık	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 11 members in 2011: Fevzi Bülent Özyaydınlı served as the Chairman and Antonio Belloni, Nicholas Stathopoulos, Stefano Ferraresi, Cedric Brice Dubourdieu, Evren Rifki Ünver, Ömer Özgür Tort, Pedro Miguel Stemper, Giovanni Maria Cavallini, Sharifa Salim Mohamed Al Busaidy and Carlo Francesco Frau 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.



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## 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.

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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

### 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 fastchanging 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.

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## 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.

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Migros has conducted a Customer Satisfaction Survey regularly since 1994. In 2011 survey, 7,635 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. Migros-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.

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## 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 a part of its approach to corporate social responsibility, Migros acts in compliance with laws, moral standards and human rights in all services it offers to consumers, does its part to expand the organized sector and contributes to employment by protecting the legal rights of its employees. 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 valueadding 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.

# Corporate Governance Principles Compliance 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 11 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 boardmember 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 Bülent Özyaydınlı	Chairman and Executive Member
Antonio Belloni	Member of the Board of Directors
Nicholas Stathopoulos	Member of the Board of Directors
Stefano Ferraresi	Member of the Board of Directors
Cedric Brice Dubourdieu	Member of the Board of Directors
Evren Rifki Ünver	Member of the Board of Directors
Ömer Özgür Tort	Member of the Board of Directors
Pedro Miguel Stemper	Member of the Board of Directors
Giovanni Maria Cavallini	Member of the Board of Directors
Sharifa Salim Mohamed Al Busaidy	Member of the Board of Directors
Carlo Francesco Frau	Member of the Board of Directors

According to the allocation of duties within the Board of Directors, Fevzi Bülent Özyaydınlı serves as the Chairman of the Board of Directors.

### 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 the Corporate Governance Principles published by the CMB. They are also professionals whose knowledge, experience and educational backgrounds are exemplary both in the industry and throughout the business world.

### 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.

# Corporate Governance Principles Compliance Report

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## 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,

The extent to which predetermined and reported operations and transactions posing a risk have been eliminated or controlled through recommendations endorsed by the management.

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 2010 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.

## 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 25 resolutions on various matters in 2011. At least seven (7) 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.

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.

# Corporate Governance Principles Compliance Report

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## 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

At the meeting of the Board of Directors of the Company held on 1 August 2011, Stefano Ferraresi and Evren Rifkî Ünver were elected as members of the Audit Committee. The two-member Audit Committee meets 4 times a year. Members of the Board of Directors are not assigned to more than 2 committees.

The Board of Directors of Migros also formed a three-member Corporate Governance Committee which is responsible for monitoring the Corporate Governance practices across the Company and coordinating the activities of the Investor Relations Department. Nicholas Stathopoulos, Ömer Özgür Tort, Erkin Yılmaz and Affan Nomak were elected as members of the Corporate Governance Committee following a decision taken on 1 August 2011.

## 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. It was decided not to pay any gross monthly salary to the Members of the Board of Directors at the Ordinary General Assembly held on 26 May 2011. Benefits which are provided to members of senior management are also indicated in the footnotes to the company's financial statements.