



**MİGROS 2015 ANNUAL REPORT**

**MİGROS** | 61.yıl  
*size iyi gelecek*

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MİGROS HAS MAINTAINED ITS LEADING POSITION IN THE SECTOR THROUGH ITS EFFICIENCY, INCREASING PENETRATION, SUPERIOR SHOPPING EXPERIENCE AND ITS GROWTH STRATEGY IN A BLEND OF ATTRIBUTES THAT HAS BROUGHT THE PERFECT SYNERGY, WHICH HAS SET MİGROS APART FOR 61 YEARS. THE COMPANY INCREASED ITS REVENUE BY 16% TO TL 9.4 BILLION IN 2015.



## OUR FORMATS

# 1.327

STORES

# 36

STORES

# 71

PROVINCES

# 5

PROVINCES

2



## MiGROS

### MiGROS “Will Do You Good”

The leader in the retail sector, Migros offers an enjoyable shopping experience, innovation and quality with stores in 71 of the country’s provinces and across seven geographical regions. With its “Better Future” motto, Migros provides customers with good produce, good meat, and the best quality products at the best available prices with the widest range of varieties, all offered with a smile as part of our cheerful service approach. By taking the standards of the developing retailing sector into account, Migros has adopted a philosophy of continual innovation as a principle. The company provides its customers with a different shopping experience through its practices, which set industry standards.

## macro▲center

### MACROCENTER “Worth Celebrating”

Macrocenter is a distinguished supermarket chain with its exclusive product portfolio, high standard of customer service and special store design. Macrocenter, that also provides tastes specific to Anatolia along with the most popular food from Europe and the world and caters to its customers’ lifestyles and preferences, works with a passion which surpasses expectations in all of its customer services.

102

STORES

47

STORES

24

PROVINCES

2

COUNTRIES

**MIGROS**  
SANAL MARKET  
www.sanalmarket.com.tr

### MIGROS VIRTUAL MARKET “Internet, Mobile & Tablet Accessibility”

The Migros Virtual Market, that has been in service since 1997, is Turkey’s largest and most extensive online food shopping site. The Migros Virtual Market provides the opportunity for online shopping in 24 provinces (Adana, Afyon, Ankara, Antalya, Aydın, Balıkesir, Bursa, Denizli, Diyarbakır, Edirne, Eskişehir, Gaziantep, Hatay, İstanbul, İzmir, Kayseri, Kocaeli, Malatya, Mersin, Muğla, Sakarya, Samsun, Tekirdağ and Trabzon) and delivers products to customers at their doors. Migros allows customers to order from the internet, their mobile phones or tablet PCs through the Virtual Market. It also facilitates shopping and brings an element of fun to the experience, with its “Buy when Passing” and “Deliver to Work” applications. The Migros Virtual Market is also an important address for food retail in the domain of e-business.

www.sanalmarket.com.tr  
www.migroselektronik.com

**Ramstore**  
SUPERMARKET

### RAMSTORE “Taking Pleasure from Shopping around the World”

As Turkey’s leading retailer, Migros currently serves customers through Ramstores at 47 locations outside Turkey, including two shopping centers, one in Kazakhstan and one in Macedonia. Ramstore also exports the concept of enjoyable shopping abroad while promoting Turkish products. It plans both to extend its reach in existing markets and to venture into new ones as well.



## CORPORATE PROFILE

# MİGROS IS THE PIONEER OF ORGANIZED RETAILING IN TURKEY.

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Focusing on customer expectations since the day it was founded, Migros is known for its innovation and progress in retailing.

The pioneer of organized retailing in Turkey, Migros today offers spacious stores in a wide range of formats and locations whose vast selection of cosmetics, stationery, glass and kitchenware, electronic appliances, book, textiles, and other items along with groceries and other necessities give it the ability to satisfy the shopping needs of its customers.

Striving to give customers the benefit of technological developments while confidently continuing to serve them with its trusted human resources, the attention which the Migros gives to information technology and the investments which it undertakes always keep it at the forefront of the retailing sector.

Focusing on customer expectations since the day it was founded, Migros is known for its innovation and progress in retailing.



## VISION-MISSION-STRATEGIES-VALUES-PRINCIPLES

# MIGROS' MOST FUNDAMENTAL STRATEGY IS TO PROVIDE THE MOST MODERN, A RELIABLE, AN ECONOMICAL, AND A HIGH-QUALITY SERVICE.

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### Vision

To be an organized retailer who remains the closest to customers by serving them in a variety of formats through a strategy of pursuing expansion both in its own and in neighboring national markets and always exceeding customer expectations.

### Mission

To play a leading role in improving the quality of life at home and abroad with a business structure that is as innovative and productive as it is customer-focused, trusted, and mindful of people, the community, and the environment; to generate long-term, satisfying returns for its employees, business partners, and shareholders; to maintain its sectoral leadership in growth and operational profitability.

### Strategies

Migros defines its strategies in line with its mission and so as to achieve sustainable quality, respect, and sectoral leadership through an approach to customer satisfaction that rises the bar of retailing standards in the countries in which it operates.

Migros' most fundamental strategy is to provide the most modern, a reliable, an economical, and a high-quality service.

### Values

Migros' corporate values, which everyone adheres to and which are fashioned through the participation of all employees, are as follows;

- Customer Focus
- Trust
- Sensitivity
- Leadership
- Efficiency
- Innovation

### Principles

Believing in the importance of having a strong corporate governance structure, Migros makes corporate governance principles its guide during every stage of every activity. Migros' actions are also informed by an awareness that not just the company but also all of its stakeholders and the country as a whole benefit from compliance with the corporate governance principles.

Migros has adopted all four basic tenets of corporate governance:

- Fairness
- Transparency
- Responsibility
- Accountability.

As one outcome of its corporate governance approach, the company achieves full compliance with all corporate governance principles published by the Capital Markets Board and it engages in an ongoing effort to apply those principles even more effectively. Migros publishes a corporate governance principles compliance report every year to inform its stakeholders of its progress in this area while its corporate website is updated on a daily basis in order to provide stakeholders with detailed information about the company.



## 2015 AT A GLANCE

# THE SOURCE OF MİGROS' STRONG GROWTH IS BOTH NEWLY OPENED STORES AND INCREASED PERFORMANCE IN EXISTING STORES.

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Customers are provided with personal recommendations based on their past shopping habits through “TAM BANA GÖRE (MEANT FOR ME)” application that was implemented in 2015.



# first

Migros was the first and only retailer to be admitted to the BIST Sustainability Index.

Migros maintained its leading position in the sector through its efficiency, increasingly penetration, superior shopping experience and its growth strategy. The perfect synergy of this quartet is underlying all the factors that differentiate Migros in 61 years. The company increased its revenue to 9.4 billion TL by growing 16% in 2015.

Anadolu Endüstri Holding A.Ş. acquired 40.25% of Migros shares indirectly by purchasing 80.5% of MH Perakendecilik ve T.A.Ş.'s capital in July 2015. This

acquisition will bring momentum to the Company's middle and long term growth and new investments.

The source of the company's strong growth is both newly opened stores and increased performance in existing stores. Besides, one of the most important factors that contribute to the company's growth has been the operational efficiency increase. Some of the more than 250 stores newly opened in 2015 were opened with the resources generated by efficiency increase.

# 12<sup>th</sup> time

Migros received "The Most Admired Company of Retail Sector" for a 12th time in a row in the survey of "Turkey's most admired companies" again in 2015.



Aiming to offer the best prices in the market and able to compete on price without compromising the trademark Migros quality in staple products needed by households, in 2015 Migros pressed ahead with its investments in Migros branded products, in which the company attaches great importance. Undertaking significant investments in the field of freshness, for which it is the leader, for good quality meat and poultry products as well as best agricultural practices, Migros provides fresh produce to its customers by bringing them from the field to the shelf in just 30 hours. The company also owns Turkey's largest integrated meat processing plant. All production processes carried out in the plant are certified by the Turkish Standards Institute (TSI). This system, implemented for red meat, has been also a very important reference for Turkish farmers.

Another strategy adopted by Migros, which appeals to the hearts and minds of the 1.75 million customers who visit the Company's stores in 71 provinces every day is the diversification of retail at every point it accesses. Aiming to design its stores according to its customers needs and not vice versa, is increasing its penetration and access power through its store structure, which can be transformed according to customer demand.

The company serves its customers "At the right place and the right time" with its different types of stores from Migros Jet to MMMs and the 5M type stores. Moreover, Migros introduced the Virtual Market, Mobile Market and Multi Channel concepts to Turkish retailing. At the same time, the wholesale service was provided to businesses that buy in bulk, such as hotels, restaurants and cafes. Migros aims to bring a shopping experiences that creates a difference and to respond to customer needs rapidly by reaching its customers through different channels according to their lifestyles.

In addition to the above, Migros has also been creating a difference in the sector through its innovative practices. CRM applications, through which data is processed rapidly and transformed into valuable information due to the implemented integrated systems, B2B (Business to Business), Virtual Market, Mobile Shopping, Jet Cashier, Mobile Reporting and Date Warehouse projects are among the innovation studies where Migros leads the sector. Customers are provided with personal recommendations based on their past shopping habits through "TAM BANA GÖRE (MEANT FOR ME)" application that was implemented in 2015. Migros was the first and only retailing company able to carry out this application.

In 2015, Migros opened more than 250 stores and maintained its mission of 'contributing to employment' with its 4,500 new employees. The company targets to add new 5,500 employees to its existing 21,762 personnel in 2016 by adding new stores to its existing ones that are centers of employment.

Migros was the first and only retailer to be admitted to the BIST Sustainability Index that was set up by examining the companies in BIST 50 Index by Borsa İstanbul, in two consecutive years. Migros qualified for admission to the BIST Sustainability Index after being measured against independent criteria among 29 companies that were in the BIST 50 in 2015 and whose corporate sustainability performance were at the highest level subjected to review. Migros also qualified for admission to the Borsa İstanbul Corporate Governance Index as a result of independent grading.

The bridge of trust that Migros built between the Company and its customers is its biggest reward. These successes are endorsed by the awards given to Migros by national and international authorities. Migros received "The Most Admired Company of Retail Sector" for a 12th time in a row in the survey of "Turkey's most admired companies" again in 2015, was chosen as a "Lovemark" for an 8th time in a row in the "Supermarket" category in the survey of "Turkey's Lovemarks".

# KEY HIGHLIGHTS

## IN 2015, MİGROS REGISTERED CONSOLIDATED SALES GROWTH OF 15.6%. THE COMPANY'S SALES AMOUNTED TO TL9,390 MILLION IN 2015.

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Total Assets (TL million)



Net Sales (TL million)



Gross Profit (TL million)



Operating Profit (TL million)



# 15.6%

In 2015, Migros' sales amounted to TL9,390 million with an increase of 15.6%.



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## Summary Consolidated Balance Sheet

(TL thousand)	2015	2014	Change (%)
<b>Assets</b>			
Current Assets	2,035,523	1,723,289	18.1
Non-Current Assets	3,725,194	3,857,298	-3.4
Total Assets	5,760,717	5,580,587	3.2
<b>Liabilities</b>			
Current Liabilities	2,725,671	2,779,768	-1.9
Non-current Liabilities	2,519,060	1,891,980	33.1
Non-controlling Interests	644	554	16.2
Attributable to Equity Holders of the Parent	515,342	908,285	-43.3
Total Liabilities and Equity	5,760,717	5,580,587	3.2

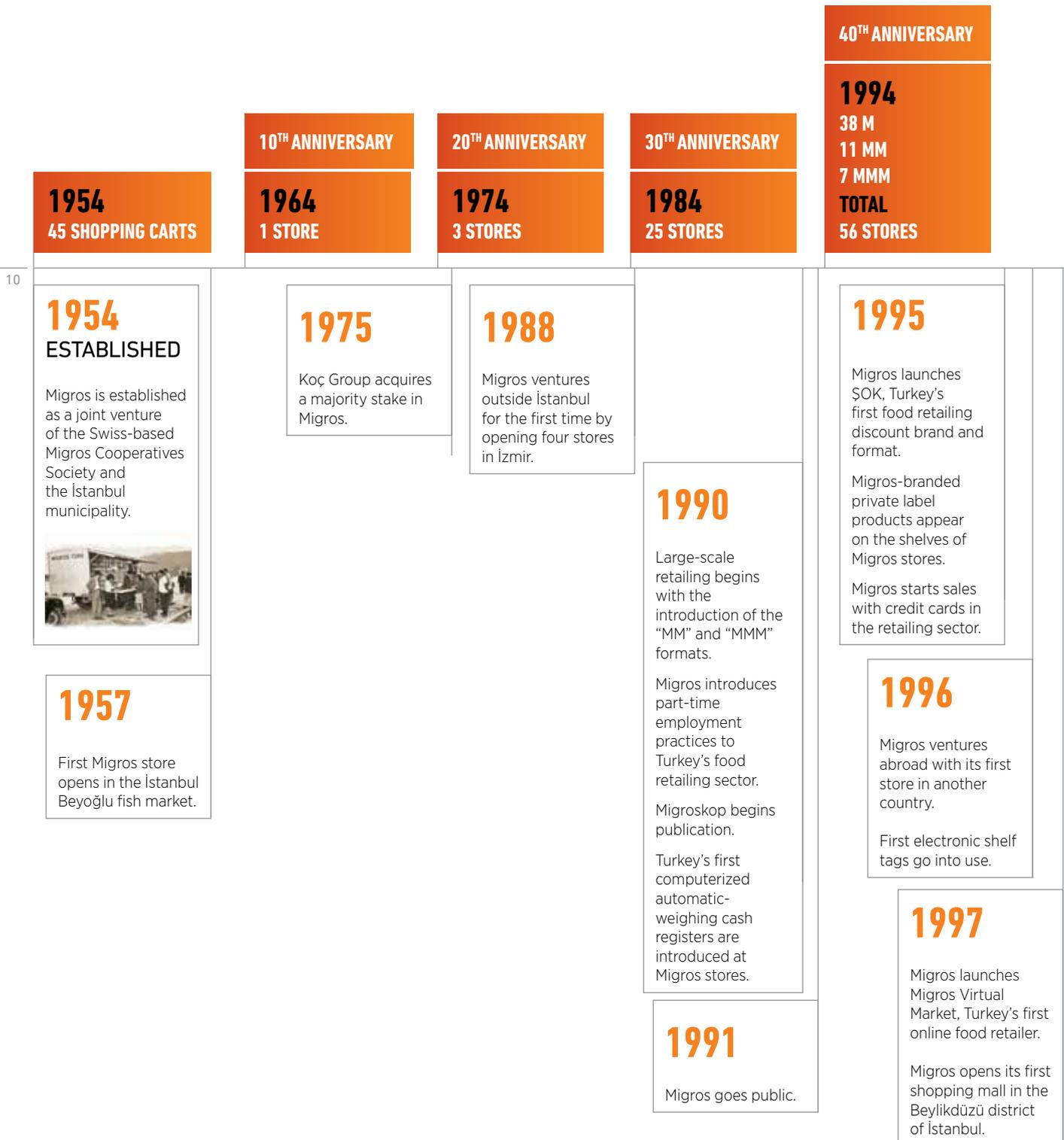
## Summary Consolidated Statement of Income

(TL thousand)	2015	2014	Change (%)
Net Sales	9,389,829	8,122,667	15.6
Gross Profit	2,525,649	2,163,391	16.7
Operating Profit	263,632	232,370	13.5
Net Income	-370,453	96,191	-485.1
EBITDA	602,136	529,112	13.8

# 13.8%

In 2015 EBITDA reached TL 602 million, up 13.8% versus 2014.

# TIMELINE



**50<sup>TH</sup> ANNIVERSARY**

**2004**  
**DOMESTIC**  
 283 ŞOK  
 72 M  
 72 MM  
 33 MMM  
 3 5M  
**INTERNATIONAL**  
 44 RAMSTORE  
**TOTAL**  
 507 STORES

**60<sup>TH</sup> ANNIVERSARY**

**2014**  
**DOMESTIC**  
 212 TANSAŞ  
 28 MACROCENTER  
 273 MİGROS JET  
 319 M  
 213 MM  
 79 MMM  
 24 5M  
**INTERNATIONAL**  
 42 RAMSTORE  
**TOTAL**  
 1,190 STORES

**61<sup>ST</sup> ANNIVERSARY**

**2015**  
**DOMESTIC**  
 22 TANSAŞ  
 36 MACROCENTER  
 464 MİGROS JET  
 469 M  
 255 MM  
 94 MMM  
 23 5M  
**INTERNATIONAL**  
 47 RAMSTORE  
**TOTAL**  
 1,410 STORES

**1998**

Migros introduces Migros Club Card, the first loyalty card system in Turkey's food retailing industry.

**1999**

Migros' first Ramstore is opened, in Kazakhstan.

Turkey's-and Europe's-first self-checkout customer activated terminal goes into service.

**2005**

Migros acquires Tansaş, a leading regional food retailer in Aegean Turkey.

The Macrocenter format is launched.

Migros opens its first Ramstore in Macedonia.

**2007**

The "deep-discount" 5M format of hypermarkets is launched.

**2009**

Following the transfer of the Koç Group's stake in 2008, MH Perakendecilik ve Ticaret A.Ş. becomes Migros' major shareholder.

Migros introduces the first "express checkout lane" to shoppers in Turkey.

**2011**

The Migros Jet convenience store format is launched.

**2014**

Migros celebrates its 60th anniversary.

**2015**

Anadolu Endüstri Holding A.Ş. acquired 40.25% of Migros shares indirectly by purchasing 80.5% of MH Perakendecilik ve T.A.Ş.'s capital in July 2015.

## CHAIRMAN'S MESSAGE

# WITHOUT COMPROMISING THE TRADEMARK MIGROS QUALITY, EVERY YEAR WE CONSISTENTLY REACH AN EVER WIDER CUSTOMER AUDIENCE WITH MORE COMPETITIVE PRICES.

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Our strategy is not to grow for the sake of growth; rather we target growth that allow us to gain market share and is healthy and sustainable.

# 8.8%

Inflation followed a rising trend to be realized at 8.8%. However, I would place significance on the fact that inflation has remained in single digits during the last 4 years, and has since started to follow a decreasing trend.

Honored shareholders,

Welcome to Migros' Annual General Meeting in 2015. I would like to express how delighted I am that you have joined us today.

### Economic and Sector Review

Esteemed Migros shareholders, when we turn our attention to the economy, we find that uncertainty remained throughout the past year with both positive and negative developments at home and abroad. While the long term efforts to reinvigorate the economy in the USA had started to pay off, the FED is ready to initiate interest rate hikes. On the other hand, expansionary monetary policies were still maintained and negative interest rates implemented in Japan and the EU. The prices of commodities, especially oil, declined during the year, giving rise to volatility in many developing countries. The Turkish economy, conversely, benefited from the decline in oil prices and the current deficit narrowed significantly. The Turkish economy posted 2.9% growth in 2014, but this rate had slowed to 3.4% in the first 9 months of 2015, and inflation followed a rising trend to be realized at 8.8%. However, I

would place significance on the fact that inflation has remained in single digits during the last 4 years, and has since started to follow a decreasing trend.

Although the increase in the national minimum wage this year will cause significant cost pressure, it is likely to have a positive impact in the medium term by stimulating growth that had been slowing as a result of flagging consumption. I hope that increasing society's disposable income will inject growth momentum to all sectors, including the food retail.

### Strategies and Operational Performance

Valued shareholders, Migros continues to grow as I expressed in the previous years. Migros maintains its investments in the retail sector and continues to generate employment in both good and bad times. On the other hand, our strategy is not to grow for the sake of growth; rather we target growth that allow us to gain market share and is healthy and sustainable. In 2015, we opened 257 new stores compared to the 199 new stores we opened in 2014, including stores located outside Turkey. The Company's had a total of 1,410 stores at the end of 2015. At Migros, we provide an exclusive quality

# 40.25%

Anadolu Endüstri Holding, one of the most respectable groups in Turkey, acquired a 40.25% stake in Migros and obtained equal rights to govern.



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of service where we care about and value our customers. Without compromising the trademark Migros quality, every year we consistently reach an ever wider customer audience with more competitive prices.

Migros posted consolidated sales of TL9,390 million in 2015, an increase of 15.6% compared to the previous year. Its gross profit amounted to TL2,526 million with a gross profit margin of 26.9%. The Company's consolidated EBITDA (earnings before interest, tax, depreciation and amortization) amounted to TL602 million with an EBITDA margin of 6.4%. Finally, although the Company generated a significant operating profit from its operations in 2015, it reported a net loss of TL370 million due to losses related to adverse movement of the exchange rate and non-recurring expenses. I would emphasize here that these financial expenses do not involve any cash outflow.

### Expectations for the Future

Honored shareholders, we are proud to express that Migros has been serving its customers in this country for more than sixty years, and I can attest to that it has a transparent and accountable management approach with its corporate

culture, while being mindful of its social responsibility. How is Migros seen from outside in terms of corporate governance? I would like to say here that an independent review conducted at the end of 2015 reinforced the importance that we attach to the Migros culture. Migros was assessed by an institution carrying out independent grading in the field of Corporate Governance. Migros achieved one of the highest grades given to date in this field in Turkey. Eventually, Migros was admitted to the Corporate Governance Index by Borsa İstanbul.

Esteemed Migros shareholders, there was an important change in our shareholding structure last year. Anadolu Endüstri Holding, one of the most respectable groups in Turkey, acquired a 40.25% stake in Migros and obtained equal rights to govern. The group also has the right to increase its stake in Migros to 50%. Anadolu Group needs no introduction; it is a corporate and visionary group with an in-depth knowledge of Turkey, the food retail sector, customers and their shopping habits, as well as sector trends and is able to foresee forward looking expectations with its sector experience. Therefore, Migros now has a balanced management structure with Anadolu

Group which works in harmony with BC Partners, which commands immense international experience and knowledge. I would hereby like to express that my belief in Migros's future is once again reinforced.

I believe that Migros will maintain its successes with a strong management and partnership structure and developed company culture in the years to come.

Yours respectfully,

F. Bülent Özyaydınlı  
Chairman of the Board of Directors  
Migros Ticaret A.Ş.

## FINANCIAL REVIEW

**DESPITE MOUNTING COMPETITION IN THE SECTOR, THE COMPANY MAINTAINED ITS OPERATIONAL GROSS PROFITS AND GENERATED STRONG SALES GROWTH WHILE WORKING WITH STRONG NEGATIVE WORKING CAPITAL.**

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# 2016

Migros aims to open between 150 and 200 stores with double digit consolidated sales growth in 2016.

In 2015, Migros registered consolidated sales growth of 15.6%. The Company's sales amounted to TL9,390 million in 2015, with its rate of growth in domestic sales rising from 10.2% in 2013 to 16.6% in 2015.

Its consolidated gross profit amounted to TL2,526 million in 2015, marking an increase of 16.7%. Despite mounting competition in the sector, the company maintained its operational gross profits and generated strong sales growth while working with strong negative working capital.

Migros wrote TL602 million of EBITDA (earnings before interest, taxes, depreciation and amortization) in 2015, representing an increase of 13.8%, and an EBITDA margin of 6.4% (2014: 6.5%), which was within the 6.0-6.5% target that the Company had set out for the full year. EBITDA before rental expenses increased by 16.2% in 2015 when compared to the previous year, while its EBITDA margin stood at 11.5% (2014: 11.5%).

Finally, despite the success achieved in its operations, Migros wrote heavy financial expenses on its Euro denominated financial debt, due to the appreciation of the Euro against the TL. Also, a non-recurring impairment of TL202,175 was registered as a result of the transformation of Tansas stores into the Migros format, which was accounted for under expenses from investment activities. For these reasons, the company announced a TL370 million net loss in 2015. As of 31 December 2015, the company's equity stood at TL516 million.

The company met its targets in terms of store openings (257 realized compared to the expectation of at least 225), sales growth and EBITDA in 2015. Its annual consolidated sales growth stood at 15.6% with an EBITDA margin of 6.4%. Migros aims to open between 150 and 200 stores with double digit consolidated sales growth in 2016.

## MIGROS OPERATIONS IN 2015

**IN 2015, 249 NEW STORES IN TURKEY AND 8 NEW STORES IN ABROAD WERE OPENED, TOTALING 257.**

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### INVESTMENTS

The Company serves its customers in seven different formats: Migros, Tansaş, Macrocenter, Ramstore, 5M, Virtual Market, and Wholesale.

During 2015 new openings in Turkey consisted of 83 Migros (56 M, 20 MM, and 7 MMM), 154 Migros Jet, 4 Tansaş and 7 Macrocenter and 1 5M stores while 3 Ramstores went into service in Kazakhstan and 5 in Macedonia. As a result of these developments, 257 new stores were added to the overall portfolio last year. Also, work on renovating existing stores continued throughout the year.

As of year-end 2015, the Company's portfolio held a total of 1,410 stores consisting of 457 M, 255 MM, 94 MMM, 464 Migros Jet, 23 5M, 22 Tansaş and 36 Macrocenter stores in Turkey and 47 Ramstores (27 in Kazakhstan and 20 in Macedonia) abroad. As of end-2015, the company had operations in 71 of Turkey's provinces.

The Company manages three shopping centers in Turkey and another two (one each in Kazakhstan and Macedonia) abroad. As of end-2015, the Company's combined (domestic and international) net sales space amounted to 1 million m<sup>2</sup>, which corresponds to a year-on rise of 6.7%.

Supermarket operations make up the Company's principal business activity. The Ramstore brand, which is managed through the Company's subsidiaries in Kazakhstan and Macedonia, continues to expand profitably abroad.

As of end-2015, the Company's combined (domestic and international) net sales space amounted to 1 million m<sup>2</sup>, which corresponds to 6.7% yearly increase.





# BECAUSE WE ARE ALWAYS CLOSEST TO YOU.

Penetration and capability to reach out wider population is increasing with flexible store structures designed according to customer expectations, and could be transformed in accordance with customer demand.

MİGROS OPERATIONS IN 2015

AT YEAR-END 2015, THE TOTAL NUMBER OF MİGROS STORES REACHED 1,140 WITH 1,363 STORES IN TURKEY AND 47 STORES ABROAD.

18%

Total number Migros stores rose by 18% in 2015 and reached 1,410.

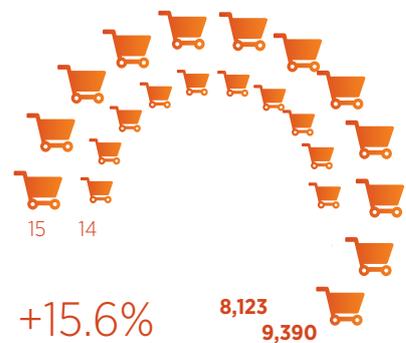
Total Number of Stores (unit)



Total Net Sales Area (thousand m<sup>2</sup>)



Total Net Sales (TL million)



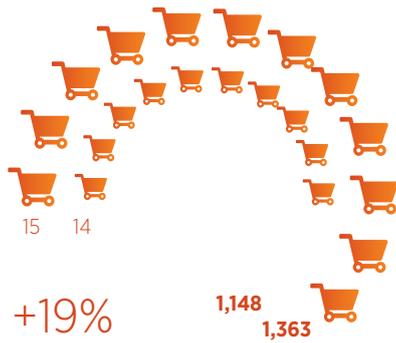
# 71

As of year-end 2015 Migros operates in 71 of the country's provinces.

# 47

Abroad, Migros provides services with 47 stores in total (20 stores in Kazakhstan and 27 stores in Macedonia).

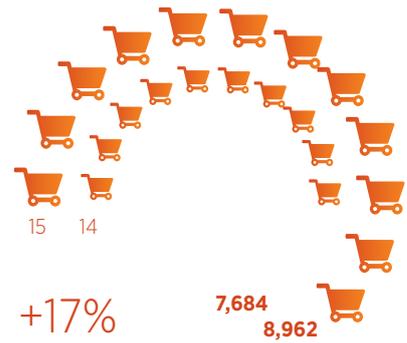
Number of Stores of Domestic Operations (unit)



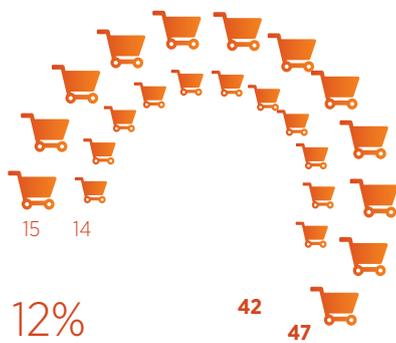
Net Sales Area of Domestic Stores (thousand m<sup>2</sup>)



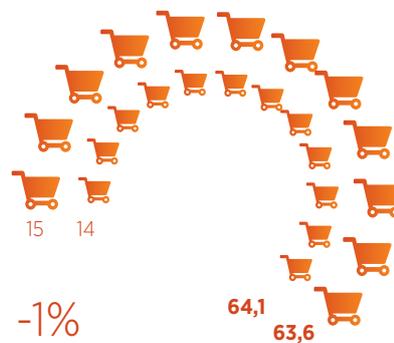
Net Sales of Domestic Operations (TL million)



Number of Stores of International Operations (unit)



Net Sales Area of International Stores (thousand m<sup>2</sup>)



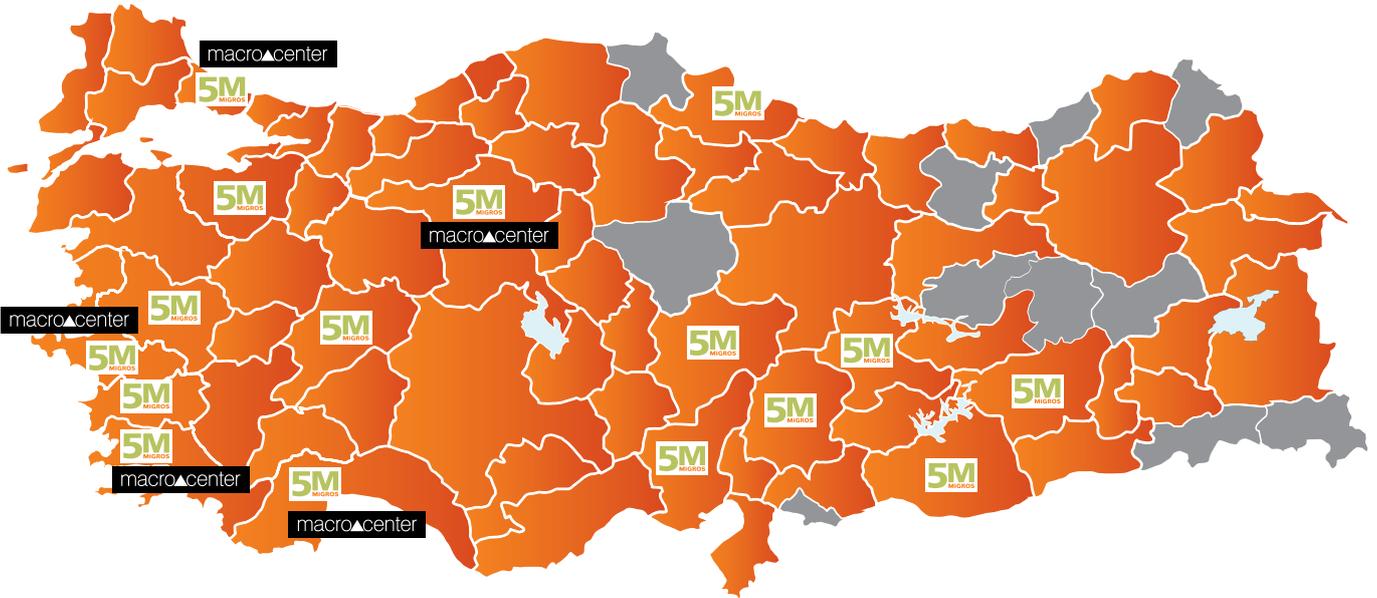
Net Sales of International Operations (TL million)



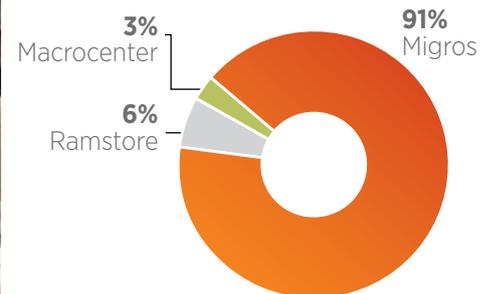
MİGROS OPERATIONS IN 2015

# MİGROS CONTINUES ITS GROWTH WITH NEW STORE OPENINGS.

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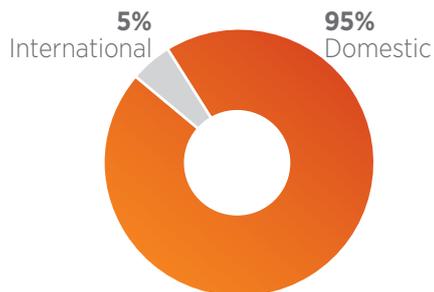


Breakdown of Net Sales Area by Brands (%)

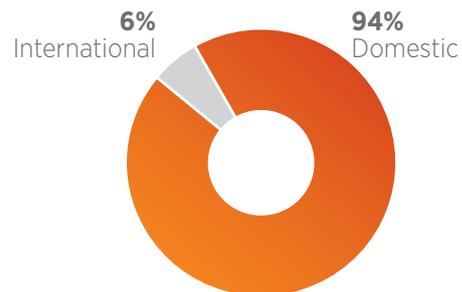




Breakdown of Sales (%)



Breakdown of Net Sales Area by Store Formats (%)



## MIGROS OPERATIONS IN 2015

## KAZAKHSTAN AND MACEDONIA OFFER IMPORTANT GROWTH POTENTIAL PROSPECTS FOR ORGANIZED RETAILERS.

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Migros continued its operations in Kazakhstan and Macedonia in 2015, opening new stores in these countries through its international subsidiaries.



# 47

International subsidiaries, operating through a total of 47 stores, were active on a total 63,599 m<sup>2</sup> sales area at the end of 2015.

### INTERNATIONAL SUBSIDIARIES

Migros continued its operations in Kazakhstan and Macedonia in 2015, opening new stores in these countries through its international subsidiaries.

Like other developing countries, Kazakhstan's economy experienced difficulty in 2015. As an exporter of oil and gas, the decline in oil and gas prices took a heavy toll on the country's economy. Kazakhstan's currency had to be devalued against foreign currencies more than once in the year.

Macedonia's economy continued to grow in 2015, demonstrating a better performance than other economies.

Ramstore Kazakhstan opened three new stores in Almaty and Aktau in 2015 and continued to operate a total of 27 stores with more than 46,738 m<sup>2</sup> of sales area. Ramstore Kazakhstan provided served 17.2 million customers in 2015.

Ramstore Macedonia opened five new stores in Skopje, Struga and Kicevo and increased its total number of its stores to 20 and total sales area to 16.861 m<sup>2</sup>. Ramstore Macedonia served over 6.4 million customers in 2015.

International subsidiaries, operating through a total of 47 stores, were active on a total 63,599 m<sup>2</sup> sales area at the end of 2015.

International subsidiaries' total sales amounted to TL428 million in 2015. The EBITDA of international subsidiaries (earnings before interest, taxes, depreciation and amortization) stood at TL9.5 million with an EBITDA margin amounting to 2.2% of total sales.

Kazakhstan and Macedonia offer important growth potential prospectively for organized retailers.

## MIGROS APPEALS TO ITS CUSTOMERS WITH RELEVANT, RICH AND COMPETITIVELY-PRICED PRODUCT PORTFOLIO.

# 61<sup>st</sup> Year

Campaigns were carried out with the “Goodness theme” together with “Migros Will Do You Good” slogan under the main roof of “61 years Only in Migros”.



### PRODUCT MANAGEMENT

Migros distinguishes itself from its competitors in the sector through effective marketing strategies that also incorporate themed campaigns while simultaneously appealing to its customers with relevant, rich and competitively-priced product portfolio.

To mark the 61st anniversary of Migros's foundation, campaigns were carried out with the “Goodness theme” together with “Migros Will Do You Good” slogan under the main roof of “61 years Only in Migros”. Products especially produced for these campaigns were offered to customers. Also, seasonal campaigns, such as Ramadan and back-to-school were conducted.

Themed catalogues, weekend discounts, and “Seeing is Believing” campaigns continued to be carried out throughout the year. Discounts to mark special days like Mothers Day, Women's Day, the 23rd April, World Animal Day have long been times of traditional promotions, with awareness also raised of new special days such as World Milk Day.

Effective promotional efforts during the year concentrated on price competition and on serving customers in the best way possible by offering the highest-quality products at the best prices. Special attention was also given to stock management both before and after such promotions.

## MIGROS OPERATIONS IN 2015



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Service scope of M Oven departments were expanded, which were developed to serve fresher bakery products that form the basis of daily shopping to the customers by baking them inside the store in suitable stores.

Locally-sourced produces continued not only to enhance product variety for customers but also to provide suppliers with opportunities to develop their own distribution channels. Migros continues to expand both its import operations and its organic products portfolio so as to better respond to consumers' price, quality, and variety priorities.

The "Good Poultry" practice, which is the culmination of work carried out together with suppliers and government agencies following the "Good Meat" and "Good Farming" practices, was expanded. The number of poultry suppliers carrying the "Good Poultry" logo was increased and various campaigns were carried out for the products with the logo to be provided to the customers more throughout the year. Significant progress was achieved in terms of explaining the project to the customers by using visual media means.

Service scope of M Oven departments were expanded, which were developed to serve fresher bakery products that form the basis of daily shopping to the customers by baking them inside the store in suitable stores.

Within the framework of existing and new strategies, renovations were made to the layout plans and portfolio revisions were made in accordance with these layouts. Necessary arrangements were carried out by taking into account of the categories'

revenues and profitability and checking the unit distributions.

Portfolio and product management works specific to service-station (PO Migros Jet) and traditional retailing continued. Suitable and optimum variety is offered to the consumers through the works carried out in these fields.

Focus was directed at effective management of order and stocks in fruit-vegetable and red meat product groups, various infrastructure works were carried out and new systems were commissioned.

In non-food product groups, space management system was begun to be implemented and stock, variety and space efficiency were achieved in the related product groups.

New working ways were identified to carry out the logistics of fresh delicatessen products to far regions more effectively and the systems were integrated.

Developments of B2B screens, where cooperation is strengthened by developing reporting and support capabilities in line with the suppliers' expectations, were continued to carry out. Necessary developments for the suppliers to carry out new product listing processes more effectively and efficiently through B2B were completed.

## AS IN THE PAST YEARS, THE REVENUE GROWTH OF PRIVATE-LABEL PRODUCTS WAS HIGHER THAN THAT OF THE COMPANY IN 2015.



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### PRIVATE LABELS

The Company offers three different product groups under its “Only At Migros” program: fresh produce, private-label products, and branded products that are sold only by Migros.

**Fresh Produce:** Strong logistical network support gives Migros a tremendous competitive advantage in ensuring the quality and freshness of its fresh produce. All of the company’s meat is sourced from its own meat processing facility, which was relocated to a newly-built, modern site in 2013. For red meat, Migros obtains live animals only from producers whose operations it inspects itself, processes the meat itself, and has it freshly delivered to all of its stores on a daily basis. Ready-to-eat and composite products, which are marketed under Migros’ own “Expert Butcher” label, are prepared and packaged without manual intervention. The company’s commitment to good agricultural practices (GAP) in fresh fruits and vegetables further strengthens the confidence that customers have in the Migros brand. Under the “From Field To Shelf Project”, all fresh produce is harvested, shipped to stores, and placed on shelves within thirty hours in average.

In 2015, Sauced Tandoori Lamb and Pastrami Burger products under the label of “Expert Butcher” were deemed worthy of 2015 Superior Taste Award by a judge comprised of Michelin chefs and

sommeliers in an international competition organized by International Taste & Quality Institute (ITQi).

**Private-Label Products:** As of end-2015, Migros was serving customers with close to a thousand stock-keeping unit (SKU) private-label products. Migros-branded products consist of basic necessities that possess the superior quality standards that are expected of Migros while being more economical than comparable products currently available on the market.

“M Life” is the brand of products that support healthy life style and offer products in different sub-categories such as organic, low calorie, diabetic. In 2014, M Life Organic nuts and dried fruits received the “2014 Best New Product” award in the “Healthy Snacks” category in a survey of 13,000 Turkish consumers conducted by BrandSpark. Additionally, there are private-label products such as Viva, Q-Max, Home Basix, Touch Me in non-food product categories such as paper, home textile, glassware, small household appliances, and heaters.

Meanwhile, the Anatolia Tastes products – the pilot study for which began at the end of 2014 and was opened in a wider store portfolio in 2015 - are products distinguished with their regional or cultural features, produced by traditional methods and all of which have their own story. As this project was implemented as a result of scanning special tastes and endemic

seeds in all regions of Turkey, the company aims to pass Anatolia’s cultural richness on to future generations by embracing it and therefore contributing to Migros’s image.

In 2015 the Company continued the strategic approach it introduced in 2011 in its private-label product groups. In line with this strategy, prices of private-label products were kept down while studies to raise their quality further continued throughout the year.

As in the past years, the revenue growth of private-label products was higher than that of the company in 2015.

**Branded products that are sold only by Migros:** More than a thousand SKUs which are not to be found anywhere except at Migros and/or Tansaş consist of well-known and much sought-after regional specialties, products with proven success outside Turkey but which have not yet entered the country, and new-concept products with which Turkish consumers are not yet very familiar. The company diversifies itself by offering a wide variety to their customers through these products.

Within the scope of sustainability studies, new products were added to the range of branded products that support a healthy diet and lifestyle, and the number of products whose packaging includes the 7 key nutrition items were increased.





# BECAUSE WE OFFER THE WIDEST VARIETY AT THE BEST PRICE

Aiming to offer the best prices in the market and able to compete on price without compromising the Migros quality for staple household products, Migros continued to invest in and place great importance in Migros branded products in 2015.

## MIGROS OPERATIONS IN 2015

## THE CAMPAIGNS AND ACTIVITIES CONDUCTED BY MONEY CLUB IN 2015 SUCCESSFULLY MAINTAINED THE CLUB'S STANDING AS TURKEY'S BIGGEST AND MOST VALUABLE CUSTOMER LOYALTY PROGRAM.

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Customers gained access to the “Meant for Me” campaigns through the mobile application and all the transactions made by Money Club Card and all gains accumulated in the cards became easily trackable.

### MONEY CLUB AND CRM

The campaigns and activities conducted by Money Club in 2015 successfully maintained the club's standing as Turkey's biggest and most valuable customer loyalty program. The number of the program's active members reached 8.7 million in 2015.

Money Club continues to lead the way in the sector through its uniquely original approach to customer communication practices and innovations. In 2015, the private proposal period was launched for every customer who shops, tailored to their shopping habits and specific to them. These proposals, named “Meant for Me” were designed by taking into account data such as the categories from which customers shop, their basket size, the frequency of their visits to the store and their spending potential.

Customer-related shopping data are analyzed and lists of favorite/most-frequently-purchased goods are created for each customer. Whenever one of these products goes on sale or is included in a campaign, a personalized message is sent to the customer. Mechanisms have been set in place to ensure the continuity of such communication. The Migros Mobile application was renewed within the year and was downloaded 550,000 times in the space of just two months. Customers gained access to the “Meant for Me” campaigns through the mobile application and all the transactions made by Money Club Card and all gains accumulated in the cards became easily trackable.



# 8.7 mn

The number of Money Club's active members reached 8.7 million in 2015.

In addition to personalized digital-channel communication based on frequently-purchased products, customer communication is also informed by the regional consumption and shopping habits of people living in the area where a store is located.

The Money Club, which carried out the sector's most unusual and unprecedented campaigns, repeated its "Don't Open & Win" campaign in 2015, which it had launched for the first time in 2014. In this campaign, customers are given a sealed envelope for every TL 50 they spend. Every envelope contains a free coupon worth up to TL 50 for use against their future purchases. In order to use the coupon however, they must come back to the store at least one day later and open the envelope in the presence of a cashier, who loudly announces the amount. The curiosity provoked by the sealed envelope, the excitement at the cash register, and the sociable dialogue ensuing between cashiers and customers continued to make it one of the most singular and attention-getting marketing campaigns of 2015.

Seeking to create value for customers in other sectors in which they frequently make retail purchases, in 2014 Money Club entered into a strategic business partnership with Petrol Ofisi (PO),

Turkey's leading chain of fuel stations. Under the Migros-PO agreement, Money Club members earn loyalty points on purchases that they make at PO stations using their Money Club cards. These points can be used to pay for purchases both of fuel and of goods from stations' convenience stores. By joining forces with PO, Migros creates added value for customers in two of their most important retail-purchasing experiences: food and fuel.

In 2015, the "Double Win" campaigns that embrace both Petrol Ofisi (PO) and Money Club customers were implemented. This campaign won the praise of many Money Club customers and gains at different points raised the value perception of Money Club.

Within the scope of the HOPI program, that is one of Turkey's most extensive mobile networks, Money Club gained a foothold in this mobile network by carrying out campaigns for customers who use mobile phones.

2015 was again a year in which CRM campaigns with suppliers proved to be very productive. Efforts on the part of suppliers to know their own customers increased the turnaround productivity of CRM campaigns by 40% compared to 2014.

Money Club delivered personalized advantage to 6.3 million customers in the course of 2015. As was done 2014, in a poll of consumers conducted by MediaCat in 2015, a corporate- and customer-research and communication agency, Money Club Card was the first loyalty card to be concurrently cited in all samples of all age groups in the "Best-known loyalty card in any sector", "Most-recommended loyalty card in its own sector", and "If you had to pick just one program, which would it be in any sector?" categories.



## MİGROS OPERATIONS IN 2015

## THE MİGROS VIRTUAL MARKET (MVM) CONTINUED TO GROW RAPIDLY IN 2015 THANKS TO THE ADDITION OF SMART PHONE AND TABLET APPS TO ITS EXISTING INTERNET AND TELEPHONE SERVICE CHANNELS.

30



# 40%

The "Mobile Market" application, a first in Turkey, accounted for 40% of total online orders in 2015.

### MİGROS VIRTUAL MARKET [www.sanalmarket.com.tr](http://www.sanalmarket.com.tr)

Serving online customers in Turkey since 1997, the Migros Virtual Market (MVM) continued to grow rapidly in 2015 thanks to the addition of smart phone and tablet apps to its existing internet and telephone service channels. Conducting its distribution operations year-round through 102 stores in 24 cities, the number of MVM distribution points rises to 110 during the summer season with the addition of Turkey's most popular resort

areas. The Migros Virtual Market, which has been demonstrating a steady growth trend over the last 5 years, continues its activities with an increasing service quality.

In a bid to expand the customer base, the Virtual Market launched the "Recommend-Win" recommendation mechanism during 2015. In addition, steps were also taken to attract new members through cooperation projects conducted together with companies from the retail and banking sectors. Segment studies were conducted with the aim of increasing order frequency and to recommend products to customers who may be interested in them, while personalized content was presented in communication channels.

The "Mobile Market" application, a first in Turkey, accounted for 40% of total online orders in 2015. Customers may also order simply by scanning the barcode on the product's packaging with their mobile phone cameras, through the Mobile Market application. Announcements of any promotions are also sent instantly through the mobile application.



The Virtual Market, which aims to be accessible from all channels, developed different delivery channels

- by taking into account of different needs such as “Let It Come to Your Work” application for working people,
- the “Buy When Passing” application that allows order delivery from Migros Jet stores in Petrol Ofisi petrol stations for those who do not have time for shopping,
- “Unlimited Shopping Kiosk” for those who like visiting stores but do not like carrying,
- “Delivery from the Store” application for those who do not want to wait for the order.

Electric cars started to be used in delivery operations with the aim of enhancing energy efficiency.

Electric cars, all of which are in Istanbul, were included in the distribution channel.

At the same time, electric bicycles are also used for service in mass housing zones and seasonal stores.

The Migros Virtual Market continued to actively use social media to increase brand recognition and reach new customers in 2015. Customers can follow the most recent campaigns and developments instantly through social media channels and are able to communicate, and can also take advantage of special campaign advantages.

Migros Elektronik, a virtual store that specializes in the online sale of all of the electronics, computers, home appliances, and white goods offered for sale at Migros stores, continued to serve and make sales to customers calling at [www.migroselectronik.com](http://www.migroselectronik.com) during 2015.



Adresinize Gelsin



Mağazadan Teslim



İşinize Gelsin



Geçerken Al

## MİGROS OPERATIONS IN 2015



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In the Migros Virtual Market, whose processes are designed to be customer centered and suitable for practical use, ordering can be initiated over one platform before being completed on another platform.

Turkey's biggest online operation for the Festival of the Sacrifices, where deliveries can be completed to the address, is conducted by the Virtual Market. During the Festival of the Sacrifice, sacrificed animals purchased from animal breeders throughout the country and chosen by Migros's veterinary doctors with care and cut according to Islamic principles are delivered to the customers, already cut and packed.

Also in 2015, "Macroonline" (online. macrocenter.com.tr), the online portal of the Macrocenter format that sets itself apart with the standard of its service standard and product exclusivity continued to provide service in Istanbul, whereas "Macrophone" that is a phone order line continued to provide services with its widening distribution network in Ankara, İzmir, Muğla and Antalya.

In 2015, the Migros Virtual Market carried out communication activities to raise awareness of how the Virtual Market can help its users and leave them with some free time that would have been spent shopping with slogans such as "Don't Miss out on Living" and "You Ask, We Bring". It was pointed out through the motto, "From the Internet, Mobile or Tablet", pointing out that orders can be made over many platforms.

In the Migros Virtual Market, whose processes are designed to be customer centered and suitable for practical use, ordering can be initiated over one platform before being completed on another platform.

## BECAUSE IT REGARDS CUSTOMER FEEDBACK AS HIGHLY VALUABLE INPUT WHEN SHAPING COMPANY STRATEGIES, FAST AND EFFECTIVE COMMUNICATION IS AN IMPORTANT GOAL FOR MIGROS AT ALL TIMES.

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### CUSTOMER SERVICE LINE 444 10 44

During 2015, the Migros Call Center communicated directly with 950 thousand customers. Because it regards customer feedback as highly valuable input when shaping company strategies, fast and effective communication is an important goal for Migros at all times.

Feedback concerning Migros, Macrocenter and Migros Virtual Market products and services that is submitted by anyone dialing 444 10 44 from anywhere in Turkey is responded to by call center units located in İstanbul and Samsun. Incoming calls are categorized according to topic, examined, listed in accordance with priority and responded to within 48 hours at the latest.

Migros operations have been awarded TSE ISO 10002 Customer Satisfaction Management System certification. Results of all communications received and responded to through all communication channels, are reported with the aim of continuous improvement.

Reports whose findings are based on detailed examinations of feedback are treated as input for improvements which will contribute to the company's growth and development and which are seen as guideposts pointing to opportunities for making corrective changes. Regarding customers' opinions as a focal point of attention at all times, the Migros Call Center constantly strives to enhance its service approach of being "close to the customer".

# 950K

During 2015, the Migros Call Center communicated directly with 950 thousand customers.







# BECAUSE WE ARE WORKING TO BRING THE BEST CUSTOMER EXPERIENCE.

Migros distinguishes itself from its competitors in the sector through effective marketing strategies that also incorporate themed campaigns while simultaneously appealing to its customers with relevant, rich and competitively-priced product portfolio offerings.

## MİGROS OPERATIONS IN 2015

## MİGROS PRODUCTS ARE METICULOUSLY CHECKED AT ALL PHASES FROM THEIR PURCHASE UNTIL THE POINT THEY REACH THE CONSUMER.

36

Migros aims to obtain the TS EN ISO 14001 Environmental Management System certificate in 2016 by streamlining its environmental management and sustainability activities with quality management systems.



# first

Migros was the first food retailer to obtain four quality management certificates awarded by the Turkish Standards Institute.



### QUALITY MANAGEMENT

In line with its strategies and mission, Migros consistently offers its customers a modern, reliable, economical and high quality service to ensure sustainable quality and sector leadership. Migros was the first food retailer to obtain four quality management certificates; TS EN ISO 9001:2008 Quality Management System, TS EN ISO 22000 Food Safety Management System, TS ISO 10002 Customer Satisfaction Management System and OHSAS 18001 Occupational Health and Safety Management System, which are certified by the Turkish Standards Institute.

The Company aims to obtain the TS EN ISO 14001 Environmental Management System certificate in 2016 by streamlining its environmental management and sustainability activities with quality management systems. In addition to these certificates, Migros - which also attaches importance to product certificates - holds the Organic Entrepreneur Certificate for its fruit and vegetable warehouses in Izmir and Bursa, and 7 GAP (good agricultural practices) group certificates in 18 fruit and vegetable products.



# 685

A total of 685 supplier audits were carried out in 2015, which included both food and non-food product suppliers.

### Ensuring Product Quality

Guided by global standards in terms of product safety, Migros is able to provide its customers with healthy products in healthy conditions to perpetuate its customers' unconditional safety. In line with this goal, products are meticulously checked at all phases from their purchase until the point they reach the consumer.

### Extending the Scope of Supplier Audits

Attaching great importance to supplier selection, Migros follows suppliers' practices, assisting and providing guidance to suppliers with the aim of increasing their performance.

Migros has been implementing a specific audit program for its suppliers since 2008. Its suppliers' production facilities are audited in accordance with Migros protocol prepared by independent external bodies, especially for Migros. Migros discontinues product purchases from suppliers which have failed to obtain adequate marks in the audits.

A total of 685 supplier audits were carried out in 2015, which included both food and non-food product suppliers. Corrective/preventive action was initiated whenever the results of such inspections were unacceptable with follow-up inspections being performed subsequently. Agreements with suppliers who failed to pass follow-up inspections were terminated.

### New Product Checks

All new products that are planned to be put onto market by the Marketing Department were checked for compliance with the relevant laws and regulations by the Quality Department and only approved products were put onto the market. During 2015, a total of 10,232 new products were included in the system after being checked.

### Product Verification Analyses

Verification analyses were conducted in the private laboratories of specialized accredited independent external bodies to monitor and verify whether all food and non-food products sold in Migros complied with the Turkish Food Code and relevant legislation. A total of 21,647 quality parameters of 5,311 food products and 3,582 quality parameters of 277 non-food products were subjected to verification analyses in relation to product safety during 2015. The product analyses ensured that the products offered to customers were legally compliant, safe and healthy as well as value added, as backed by scientific data was created by continually improving the products of producing companies.

## MIGROS OPERATIONS IN 2015



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Products are checked for compliance with the legislation and specified specifications and their quality performance is monitored by comparing them with equivalent products.

### Private-Label Product Controls

Work also continued in 2015 to continually increase the product quality in private-label product groups. Audits of all facilities of the producers of private-label products were carried out. Periodic analyses of the private-label products produced by these producers are carried out by both independent accredited external bodies and the quality control laboratories in the company's distribution centers. As a result of these analyses, products are checked for compliance with the legislation and specified specifications and their quality performance is monitored by comparing them with equivalent products.

Production of electricity and electronic private-labeled products sourced domestically was stepped up; the monitoring and inspection process applied to imported products started to be implemented domestically as well. In this process, Products were checked for compliance with legislation and Migros' specifications by an independent accredited external body, and the products which were approved were put onto market. Such monitoring and inspection activities are planned to be extended to other product groups during 2016.

### Convenience Food Product Specifications Manual

The Migros product specifications manual was created and sent to all stores which have a convenience food section, along with the relevant suppliers, in order to ensure a quality standard for the products sold in the Convenience Food sections in the stores from different suppliers. Therefore, while Migros raised its own quality standards, while also creating added value for its suppliers.

### Quality Controls for Distribution Centers

All products delivered by suppliers including the fruit and vegetable warehouses and meat distribution centers are checked during the product acceptance process in the quality control laboratories located in the Migros Distribution Centers.

In 2015, 145,625 products were checked by quality specialists, 1,661,454 products were checked by acceptance specialists, so that a total of 1,807,079 products were checked for quality.



# 1.8 mn

In 2015, a total of 1.8 million products were checked for quality.

The Company focused on effective resource management targets in 2015, in accordance with the company's strategies. Product acceptance control data of products in the same lot are shared instantly with other distribution centers through "Lot Number Based Quality Control Project", thus contributing significantly to work power and resource efficiency.

A total of 264 verification audits were carried out by quality specialists in the distribution centers, the fruit and vegetable warehouses and wholesale warehouses to check the quality and food safety management systems' processes. In 2016, the scope of the audit was extended and occupational health and safety management processes were also included in the checklists.

Test activities continued to be carried out with "time temperature indicator" (TTI) labels in transportation vehicles for cold chain control.

One of the most important aims of the relevant audits and tests is to ensure the uninterrupted continuity of the cold chain, that is of critical importance in terms of food safety, from the point where the products are first accepted in the distribution centers and the storage processes, through to the delivery and unloading processes and finally to when the products are presented to the customers.

## Effective Reporting with Uninformed Mobile Store Audits

Migros, that follows globally recognized standards as its guide controls the processes from four quality management system certificates that it possesses in its stores by its own quality team and accredited independent external body through uninformed audits.

In these audits, Migros checklists that encompass the requirements of all the standards specific to each section are used. The audits started to be carried out in 2015 with tablet PCs as a mobile application. In this way, effective reporting was achieved and the results were shared with store managers instantly and the necessary actions were taken.

A total of 954 uninformed audits were conducted by store quality specialists and 1,233 uninformed audits were carried out by an independent external body; in total, 2,187 uninformed audits were carried out. In these audits, 23,288 hygiene analyses were carried out by an independent laboratory to check personnel hygiene, equipment surfaces and domestic water.

Bearing customer expectations and satisfaction in mind, store quality specialists continued to carry out audits of the fresh produce section in 2015, focused on product freshness and food safety criteria. For this purpose, in total 4,103 audits were carried out in the meat, delicatessen, fruit and vegetable and bakery products sections.

In 2015, quality and food safety audits of the Virtual Market's operational processes continued to be carried out. The findings of a total of 248 similar unannounced inspections conducted last year were analyzed, compiled, and used as input for initiating corrective/preventive measures.

## MİGROS OPERATIONS IN 2015

## IN 2015, MİGROS RECEIVED THE OHSAS 18001 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATE.

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In 2015, a different training model was developed together with the suppliers of the Company's bakery products.

### QUALITY MANAGEMENT SYSTEMS

Besides the required monitoring and measuring activities for the continuity of existing certificates - principally the recording of procedures and risk analyses in all stores and emergency action plans - all documentation within the scope of the Integrated Management Systems was completed to obtain the OHSAS 18001 Occupational Health and Safety certificate.

### Quality Training

Within the scope of Integrated Management Systems (ISO 9001 - ISO 14001 - OHSAS 18001), 11 classroom based training programs in 5 different regions (Istanbul, Ankara, Adana, Antalya and Izmir), each of a 3 day duration, were carried out together with the TSI and 301 personnel received a total of 7,224 hours of Internal Auditor education.

Training aimed at white collar and blue collar personnel related to four Quality Management Systems (ISO 9001 Quality, ISO 22000 Food Safety, ISO 10002 Customer Satisfaction and OHSAS 18001 Occupational Health and Safety Management Systems) were defined, over Akademig, which is the company's corporate development platform, and training programs were carried out across the company. In addition, 491 Virtual Market personnel were given Quality Management System training by store quality specialists.

468 different training programs were organized for 5,231 personnel in the distribution centers and fruit and vegetable regional warehouses to develop Quality Management Systems practices and to inform new recruits about the subject.



# 468

468 different training programs were organized for 5,231 personnel in the distribution centers and fruit and vegetable regional warehouses to develop Quality Management Systems practices and to inform new recruits about the subject.



Trainings aimed at personnel carrying out transit product acceptance quality control processes in the stores were organized by quality control specialists, which enhanced the personnel's levels of knowledge.

#### Adding Value to its Business Partners

In 2015, a different training model was developed together with the suppliers of the Company's bakery products. After 3 days of applied and classroom based training given to new recruits and existing bakery product personnel, the personnel's knowledge level with regard to Quality Management Systems and food safety

was raised, ensuring that personnel are able to communicate with customers effectively and in the right manner.

#### Quality Management Systems Internal Audits

Within the scope of Integrated Management Systems, internal audits were carried out with the participation of 1,007 stores, 11 distribution centers, 5 fruit and vegetable regional warehouses and 10 departments in the head office between 5 May and 30 June 2015, with an average 90.2% success rate achieved as a result of the audits.

#### OHSAS 18001 Occupational Health and Safety Management System Certificate

Audits carried out by the Turkish Standards Institute (TSI) in a corporate framework were carried out in Migros stores and distribution centers in different provinces. As a result of the audits, the decision was taken by the TSI that the TS EN ISO 9001 Quality Management System and TS EN ISO 22000 Food Safety Management System certificates were to be renewed, the TS ISO 10002 Customer Satisfaction Management System certificate would be continued and the OHSAS 18001 Occupational Health and Safety Management System certificate would be issued to the company.

## MİGROS OPERATIONS IN 2015

## AS OF END OF 2015, PRODUCTS WERE BEING SUPPLIED FROM 882 PRODUCERS WHO HELD 245 GPA CERTIFICATES RELATED TO 117 KINDS OF PRODUCTS PRODUCED IN ACCORDANCE WITH GPA PROCEDURES AND PRINCIPLES.

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# 18

Migros continued the success of previous years by being awarded the Good Agricultural Practices (GPA) Group Certificate for a 7th time for 18 different kinds of fruit and vegetable products.



### GOOD AGRICULTURAL PRACTICES

#### Good Agricultural Practices: Crop Production

Migros continued the success of previous years by being awarded the Good Agricultural Practices (GPA) Group Certificate for a 7th time for 18 different kinds of fruit and vegetable products, after having undergone production and operational area audits carried out by a control certification body authorized by the Ministry of Food, Agriculture and Livestock. As a result of the certification

activities, 30 producers were entitled to government support provided within the scope of GPA.

As of end of 2015, products were being supplied from 882 producers who held 245 GPA certificates related to 117 kinds of products produced in accordance with GPA procedures and principles.

In accordance with the 2015 training schedule, GPA training was organized for the personnel of the Fruit-Vegetable Procurement Regional Directorate and steps were taken to ensure that the relevant personnel were kept informed.

# 882

As of end of 2015, products produced in accordance with GPA procedures and principles were being supplied from 882 producers.

A total of 30 training sessions were organized in 2015 with the aim of informing store personnel about GPA procedures and principles by the Blue Collar Training Development Department, and the competency of store personnel was increased accordingly.

### Good Agricultural Practices: Animal Husbandry (Poultry Farming)

Conscientious consumers nowadays want to know about all the production stages of the foods that they eat and this is one reason why the problem of the traceability and sustainability of food production has become a very important aspect of food safety. Such demands, which are not without their justification and first made their appearance in the livestock industry years ago, led to the introduction of the concept of “good husbandry practices” (GHP).



Migros implemented the “Good Agricultural Practices in Animal Husbandry” project after analyzing the effects of issues such as animal products’ traceability and sustainability, and food safety on consumer demand in 2013. Since the launch of the project, the

number of companies awarded the GPA in poultry farming certificate increased. In 2015, 11 suppliers obtained their GPA certificates by including 419 poultry farms into the certification process, while two suppliers were awarded the GPA certificate in egg production.

## MİGROS OPERATIONS IN 2015

## SERVICE QUALITY AND EFFICIENCY WERE AMONG THE MOST IMPORTANT ISSUES TACKLED AT MİGROS' DISTRIBUTION CENTERS IN 2015.

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It is ensured that fresh foods remain in the cold chain at every stage of distribution and that they reach consumers at the highest possible quality.

### DISTRIBUTION CENTER & LOGISTICS MANAGEMENT

Foremost among the issues to which attention was given at Migros' distribution centers in 2015 were those of service quality and efficiency. Thanks to effective cost management, the company's domestic distribution center and logistical services expenditures last year were less than those of 2014.

As of end of 2015, there were a total of 21 distribution centers including fruit and vegetable and meat distribution centers.

The distribution of fresh foods through distribution centers (instead of direct delivery by the suppliers), a procedure that was initiated in 2010, continues to be conducted effectively in all regions. This method ensures that fresh foods remain in the cold chain at every stage of distribution and that they reach consumers at the highest possible quality.

In order to better manage and optimize stores' stock levels, the practice of shipping some product groups on an item-count (rather than whole-lot) basis was extended. This system allows stores to place orders for the exact number of products they want, the effect of which is to reduce unproductive inventory costs.

IFCO-standard reusable plastic containers (RPC) are used to distribute fruit and vegetable and red meat product groups to ensure product freshness, improve food safety and reduce logistics expenses. By using IFCO containers which are completely safe when in contact with food and compliant with ISO 22000 Food Safety requirements and washed in professional machines, Migros maintained the highest freshness and quality standards; the process of transporting the emptied containers was significantly improved while reductions were also achieved in the cost of buying containers and cardboard casing.

# 21

As of end of 2015, there were a total of 21 distribution centers including fruit and vegetable and meat distribution centers.

Effective use of technology makes it possible to keep track of vehicles' locations and onboard temperatures while goods are in transit. Such information is fully integrated into Migros' stock-management systems. Using a mapping app on a tablet computer, a store's managers can see exactly where a vehicle on its way to deliver goods to them is located and they can also estimate its arrival time. This allows for better workforce deployment and stock planning at the store.

After preparatory work in 2014, a scrum team was formed in 2015 based on Agile methodology. This added a real time address based stock module and the module of cashier based collection by scanning the barcodes of fruit and vegetable products into the warehouse management system which was developed from Migros's internal resources. Thanks to the Agile methodology, these developments were commissioned efficiently and rapidly. The methodology also brought real time communication of the records of quality checks conducted in distribution centers with all distribution centers. Thus, duplicate operations were eliminated by enabling the examination of laboratory records of products that bear the same lot number as in other distribution centers.



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The project that was initiated to make shipments at night between stores' opening and closing hours has been extended and nearly 180 stores are currently taking part in it. Besides shortening the time between order-placement and delivery, this procedure improves shipping efficiency and allows incoming goods to be handled at stores before the doors are opened to customers.

Also in 2015;

- The number of product groups handled at both the Bayrampaşa (İstanbul) and the Kemalpaşa (İzmir) distribution centers was increased. In territories where there is a particularly heavy distribution of fresh foods and red meats, the shipments of these two groups have been

combined, thereby achieving substantial improvements in efficiency and shipping costs.

- Fresh food group products were sent to the Erzurum Distribution Center in combined vehicles on the basis of full occupancy. Therefore, inefficiencies in the intermediate goods supply processes in business partners was eliminated.
- Technological improvements were initiated in the Gebze Distribution Center, the first phase of which took place in 2014, where a 565m long conveyor belt, stretching from the product entrance to the dispatch area, was commissioned. The design, layout plans and contract works were completed for the second phase.

## MIGROS OPERATIONS IN 2015

## THE ME-MOBILE APPLICATION, THAT ENABLES THE RUNNING OF BUSINESS PROCESSES WITH THE SUPPLIERS, WAS COMMISSIONED IN 2015.

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The Migros mobile application, which provides preferential shopping opportunities, offers an array of features and keeps users informed of all campaigns specific to the user's shopping habits, as well as their Money Club points and follow-up campaigns online without needing to go to the supermarket.

### INFORMATION TECHNOLOGY

**e-Archive:** The e-Archive application includes the creation, storage, presentation and reporting of invoices in electronic media in accordance with the standards set out by the Revenue Administration Department. The work was completed within the framework of a project and the application was commissioned.

**iBeacon Applications:** iBeacon technology allows users to transmit data over short distances based on their location. The first applications of this technology were launched in Migros stores in 2015 and customers are also presented with campaign recommendations through this channel.

**PIM (Personal Information Application):** This application enables suppliers to promote their products, including all of their features, over the portal. The application enables the compilation of product features completely and correctly and helps increase efficiency.

**Me-Mobile:** The mobile version of the B2B application, that enables the running of business processes with the suppliers, was commissioned in 2015. Accordingly, requirements such as order approval and critical queries can be carried out instantly, independent of location.

**Migros Mobile Application:** The Migros mobile application, which provides preferential shopping opportunities, offers an array of features and keeps users informed of all campaigns specific to the user's shopping habits, as well as their Money Club points and follow-up campaigns online without needing to go to the supermarket. The design, content and infrastructure of the application were completely renewed and a new version was commissioned.

**Customer WiFi (MiFi) service and Fiber-optic Configuration:** The transition into a secure network configuration that will provide free internet access to customers in 200 stores and high speed, secure fiber-optic infrastructure was completed. This enabled the more rapid operation of store applications without interruption. Also, isolated infrastructure was set up, where store personnel and customers may access the internet without the use of store applications from their own devices being compromised.

## MIGROS IS A YOUNG AND ENERGETIC FAMILY, 72% OF WHOSE EMPLOYEES ARE FROM GENERATION Y, WITH ITS STAFF HAVING AN AVERAGE AGE OF 31.

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# 21,762

At end-2015, the Migros family consisted of 21,762 people of whom 20,171 were employed in Turkey and 1,591 abroad.

### HUMAN RESOURCES & TRAINING

Migros Human Resources' objective is to have human resources who will support the Company's efforts to defend its leading position in a highly competitive industry by their being knowledgeable, customer- and process-focused, resourceful, and dynamic. In line with this approach, the Company's human resources policy is rooted in the philosophy of "Creating employees who will create competitive advantages".

At end-2015, the Migros family consisted of 21,762 people of whom 20,171 were employed in Turkey and 1,591 abroad.

The candidate pool was expanded during 2015 through the effective application system management and 409,000 candidate applications were received. An average of 130 candidates in the candidate pool were assessed each working day and 4,500 new positions

were created during the year. The internal application system was applied for a number of open positions during 2015, with 244 positions filled from internal resources. In 2015, 67% of the candidates employed for head office departments were women.

In 2015, Migros enabled those who want to work in the retail sector to build a career by providing them with workplace training through the workplace training program, which was implemented in partnership with İŞ-KUR. Within the scope of the training program organized together with İŞ-KUR throughout Turkey during the year, a total of 1,003 people joined Migros.

Assessment Center practices to assist the personal and professional development of store managers also continued this year. A total of 168 store managers and deputy managers participated in these practices and received detailed feedback regarding their career development during 2015.

## MIGROS OPERATIONS IN 2015



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Migros continued to manage its career planning and promotion processes by means of its Store Career Paths Program. This program, which allows employees in all stores and departments to manage their own career systematically, fairly, and objectively, received the “Most Successful Human Resource Practices” citation in the “2012 Retailing Sun Awards”. In line with the Store Career Paths Program that was revised in 2015 no fewer than 98% of Migros’ store management personnel were recruited from the Company’s own human resources. In parallel with the rapid growth in store numbers, almost 3,500 people were included in the appointment/promotion processes within the scope of the Migros Career Definitions.

Migros is a young and energetic family, 72% of whose employees are from generation Y (born between 1980 and 2000), with its staff having an average age of 31. Its white collar employees have an average seniority of more than 9.2 years.

In 2015, health insurance renewal processes were completed for employees.

Aimed at reinforcing the perception of Migros as an employer brand and to boost loyalty, the “Good Job Good Future” employer brand promise was created within 2014 and branding activities were strengthened through various projects. The Migros LinkedIn page started to be actively used in 2015, while the Migros Career Facebook page was also opened in 2013, a first in food retail sector, attracting more than 65,000 followers as of the end of 2015.

Migros Career Facebook, a first in the food retail sector, won the “Superior Achievement” award in the human resources category in the “Interactive Media Awards (IMA)”, an international web design and innovation competition organized in New York.

Within the scope of work assessment activities in 2015, departmental and organizational designs were carried out in parallel with the company’s expanding structure.

A “Working Life Assessment Survey” is conducted every year in order to measure and further improve the level of employee loyalty and job satisfaction at Migros.

# 65K

A first in food retail sector, the Migros Career Facebook page reached more than 65,000 followers as of the end of 2015.

**In 2015** Migros Career Facebook, won the “Superior Achievement” award in the human resources category in the IMA Awards.





# 23K

The Migros "Hotline Forum", responded to more than 23,000 calls in 2015. The average number of calls dealt with was 1,917 a month.

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A "Working Life Assessment Survey" is conducted every year in order to measure and further improve the level of employee loyalty and job satisfaction at Migros. The goal of this survey is to identify issues that are in need of improvement and to prioritize them accordingly.

Within the scope of a survey carried out in partnership with an independent survey organization, the survey results direct practices that will be carried out, as they allow analysis regarding perpetuating employee motivation and loyalty.

In addition, within the scope of sustainability, a "recruitment assessment survey" is conducted to measure the effectiveness of orientation training for new recruits and to learn about the experiences of new recruits to the Migros family in the Migros recruitment processes. The Human Resources department use these results to improve processes and create activities aimed at enhancing employee satisfaction.

The Migros "Hotline Forum", whose aim is to increase employee satisfaction and to address personnel-related problems in the quickest way possible, responded to more than 23,000 calls in 2015. The average number of calls dealt with was 1,917 a month.

Specifically designed to be fair, consistent, and transparent, Migros' human resources evaluation systems make use of the most advanced technology and the most effective methods.

The objectives of the Migros Performance Management System are to:

- Make certain that the Company's strategies and goals are disseminated among and shared by employees
- Manage and evaluate employees' performance fairly, transparently, and objectively within the framework of communally-recognized Migros principles
- Provide guidance for career development and backup, total compensation package, and personal development policies that are based on actual data
- Identify and motivate employees whose performance contributes to the achievement of company goals and retain the best-quality people
- Recognize and reward, in a timely fashion, employees who perform as good as or better than what is expected of them.

In the conduct of administrative unit and store white collar personnel performance management processes, close to 5,750 evaluations are made every year.

Another and more comprehensive performance evaluation is embodied in the Store Personnel Performance Management process that is conducted at six-month intervals. Under this program, close to 14,500 store personnel on average are evaluated twice a year by service quality and job performance managers, who rate employees on the basis of eight basic competencies identified as being essential in the retailing industry and who also quantify their professional skills. The results of these performance evaluations play a determinative role in employees' career and progression plans.

Additionally, headquarters and store management personnel are subjected to so-called "360° evaluations" in which their strengths and potentials are identified so that development plans may be formulated. Such evaluations were performed for more than 2,300 employees in 2015.

The "Rhythm" Manpower Management System was implemented in 2014 in to encompass till operators in all stores and increase customer satisfaction and to develop fair, transparent and flexible working order for the employees. Also, to increase transparency in the workplace, the infrastructure of "Ritmik" ("RhythmHR") personnel work continuity tracking system in which personnel's arrival and departure times of work

## MIGROS OPERATIONS IN 2015



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MRA's curriculum consists of 298 classroom courses, 170 e-learning programs, and a recommended-reading list of 212 magazine articles and 193 books.

can be easily seen was installed in all stores. Work proceeds rapidly with the help of technology to ensure customer and employee satisfaction in the most appropriate and consistent manner at all times.

The Migros Reward System serves employees by recognizing and rewarding performance in seven main categories referred to as the "Migros Reward Tree". Under the Migros Reward System, employees are rewarded for demonstrating superior performance, for coming up with innovative practices that improve teamwork, for thinking up creative ideas, for contributing to the Company's growth strategy by suggesting locations for new stores, and for having a hand in Migros' success in the course of many years.

Other efforts that have been initiated to strengthen communication, cooperation, and solidarity among employees and to encourage them to make sports and to gain healthy life habits also continue without letup. In 2015, the seventh in the series of Migros Sports Festivals was held in which employees from all over Turkey take part. During the course of the festival's events, 300 employees competed with one another in football, basketball, volleyball, tennis, table tennis, and chess. Awards and recognitions were handed out to successful contestants.

Migros Retailing Academy (MRA), a program that is conducted in order to contribute towards employees' development and to raise qualified labor force, seeks to develop human resources in line with the Company's corporate priorities and with individual and sectoral needs so as to achieve the Company's strategic objectives. MRA is structured so as to create an environment which makes continuous development an component of Migros' corporate culture and which gives employees a say in their own career development processes starting from their very first day at the Company by providing them with a choice of models, methods, and means that will be the most effective in planning their own career paths.

MRA consists of six divisions:

- Vocational High School of Merchandising
- Store Management Faculty
- Fresh Foods Faculty
- Administrative Units Faculty
- Leadership Faculty
- Complementary Programs

MRA's curriculum consists of 298 classroom courses, 170 e-learning programs, and a recommended-reading list of 212 magazine articles and 193 books. "Virtual classroom" methods allow instructors and trainees to interact without having to be physically present in

# 7

In 2015, the seventh in the series of Migros Sports Festivals was held.



# 19

Migros employees were provided with an average of 19 days of training in 2015.

The Migros Retail Academy crowned its success by winning 11 awards in competitions in which corporate academies and the training departments from companies all around the world have been finalists in the last few years.

the same space. An in-house mentoring system provides developmental support at the individual level by creating opportunities to exchange knowledge and experience that goes beyond formal training.

Migros employees were provided with an average of 19 days of training in 2015.

Developed in collaboration with Anadolu University, the Migros Retailing Program gives highschool graduates a chance to earn a university-equivalent degree in just two and a half years and thus overcome their lack of academic credentials. Another program conducted in collaboration with Georgia State University gives store managers a chance to learn about new trends and developments in retailing that are taking place around the world and also to visit some of the world's biggest retailers in the United States. A pre-MBA program developed jointly with Koç University gives Migros managers a chance to expand their management vision and skills. The Koç University Migros Retailing Forum, another collaboration with that institution, organizes retailing conferences which are attended by leading Turkish and international academicians and professionals and which serve as platforms for the exchange of knowledge and experience.

To meet the need for qualified employees in the sector, the partnerships that the Company entered into with Ege University in 2013 and Karadeniz Technical University and Anadolu University in 2014 also continued in 2015.

In 2015, a dramatized training that consists of 4 stages collectively entitled a "Sustainability Marathon" was prepared to spread the concept of sustainability among all Migros employees. The training informs employees of sustainability and enables them to be informed of Migros's approach and projects regarding this issue. This program provided employees

with the opportunity to learn as well as enjoy themselves when competing. Migros employees can access training at any time and from any location from the [www.akademig.com](http://www.akademig.com) website, which is Migros' e-learning platform.

Migros employees may follow current affairs regarding sustainability from the sustainability page that has been added to Migros's Corporate Communication magazine Turuncu (Orange).

The Migros Retailing Academy was admitted to the "Training Top 125" list published by Training Magazine, a publication read by training and development professionals whose awards recognize the world's most successful learning and development programs. The American Society for Training (ASTD), a non-profit association for workplace learning and performance professionals, bestowed its "Award For Excellence" on the Anadolu University-Migros Associate/Undergraduate Degree in Retailing Program. CorpU, a training and development organization that runs one of the most prestigious award programs in the field of corporate learning, bestowed its "Excellence & Creativity Award in Learning" in the "Collaboration" category on the Anadolu University-Migros Associate/Undergraduate Degree in Retailing Program.

The Migros Retail Academy crowned its success by winning 11 awards in competitions in which corporate academies and the training departments from companies all around the world have been finalists in the last few years.

"Migros Social" is a social learning and communication platform where experience and accumulated knowledge can be shared rapidly and where employees can share their memories, inspirational experiences and successes. It was opened for the use of all employees in 2015.

## MIGROS OPERATIONS IN 2015

## MIGROS BELIEVES THAT THE PRESENT AND FUTURE SUSTAINABILITY OF THE WORKPLACE ENVIRONMENT IS DEPENDENT ON ITS BEING HEALTHY AND SAFE.

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Migros provides OHS training to its employees before they start work and then periodically thereafter.

### HEALTH & SAFETY

Migros believes that the present and future sustainability of the workplace environment is dependent on its being healthy and safe.

In line with this belief, the company engages in an ongoing effort to promote a safety culture shared by both employees and customers alike and to contribute towards making safe behavior a habit throughout society. It was to this end that in 2013 the company set up an Occupational Health & Safety Committee whose membership consists of top-level managers and which reports directly to the Chief Executive Officer.

As the most senior management unit responsible for occupational health & safety (OHS) issues throughout Migros, this committee directed the taking of corrective measures based on risk-assessment reports and engaged in an ongoing effort to make improvements during 2015. In this context, risk analysis activities were conducted in the stores, the head office and branches, distribution centers and the fruit and vegetable warehouses.

In 2015, in total 22,474 hours of OHS services were requested from 43 occupational safety specialists, 41 workplace doctors and five other health personnel from companies authorized to serve in occupational health and safety for stores employing 50 or fewer staff in the low risk category, as well as in the HQ, the branches, distribution centers and the fruit and vegetable warehouses operating in the high risk category.

OHS Committee Meetings were held regularly in all units for which OHS services were provided.

Migros provides OHS training to its employees before they start work and then periodically thereafter. On the job training and periodical OHS training are provided face to face in classroom for new recruits where OHS services are provided. Employee training is also supported by distance learning in all locations. A total of 39,013 hours of face to face on-the-job training

# 8K

A total of 39,013 hours of face to face on-the-job training was provided to employees by occupational safety specialists and workplace doctors.



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was provided to employees by occupational safety specialists and workplace doctors. In addition, "OHS foundation" training was provided to more than 8,000 employees through distance learning. A total of 781 employees completed the first aid training programs in the head office, the branches, stores, distribution centers and fruit and vegetable warehouses, while 1,336 employees completed vocational training in distribution centers and fruit and vegetable warehouses. Around 12,000 employees were provided with hygiene training in the head office, branches, stores, distribution centers and fruit and vegetable warehouses.

Ambient measurements (lighting, noise, dust, vibration, thermal comfort, gas) were conducted in the head office, branches, stores, distribution centers and fruit and vegetable warehouses during 2015. Work equipment was periodically checked by authorized companies to ensure that work equipment used by the employees complied with OHS requirements. The employees were provided with health services as well as health examinations for new recruits, and periodical health checks were conducted by workplace doctors.

Within the scope of the prepared Emergency Action Plan, fire fighting, search and rescue and evacuation training were provided by the AFAD (Prime Ministry Disaster and Emergency

Management Authority), while fire fighting department, specialist companies and occupational safety operations and drills were carried out.

Visits in relation to OHS processes were conducted to the stores, distribution centers and the fruit and vegetable warehouses, while visits by independent consultants and relevant managers and continual improvement activities still continue.

Because the company's operations are dispersed and encompass many different locations, software has been developed to permit systematic, centralized oversight and reporting of all OHS-related processes and activities. The functions of this system include such things as recording and investigating work-related accidents and compiling work-related accident statistics; checking employee health both at recruitment and at regular intervals; organizing and monitoring personnel training; polyclinic activities; ordering and monitoring corrective & preventive measures; organizing and conducting emergency action plans and drills; issuing and maintaining equipment maintenance records and periodical inspection reports; formulating annual employee work, training, and evaluation plans; and maintaining OHS Committee meeting records.

Migros was awarded the TS 18001 OHSAS Occupational Health and Safety Management System certificate that will add value to the OHS activities carried out in 2015, increase participation and motivation, ensure continual improvement of the system and diffusion of the activities systematically.

OHS procedures, instructions, forms, work packages and work permit forms were revised and integrated into the Quality Management Systems documentation structure. Steps were taken to ensure that OHS documentation was created in all units.

As a board member of the Consumer Goods Forum (CGF), Migros is a participant of the Employee Health and Welfare Working Group, which steers the global sector with the best practices. CGF members are committed to implement employee health and welfare programs.

The program includes healthy practices with regard to providing employee welfare, activity and feeding programs, encouraging employees to take conscious choices and become more physically active, supporting general physical and mental health





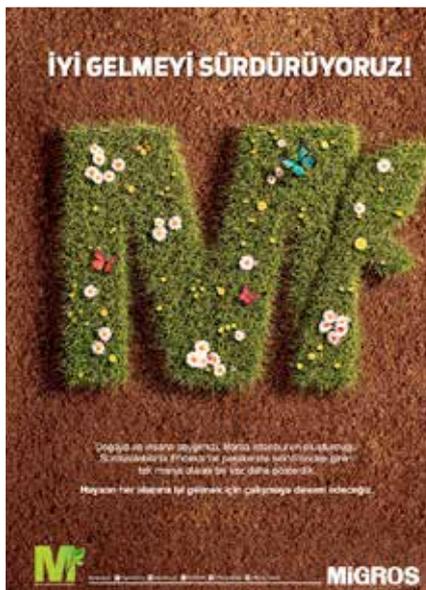
# BECAUSE WE CARE ABOUT OUR FUTURE.

With the “Good Future” motto, Migros aims to enhance the health and wellbeing of its employees and customers.

## OUR OUTLOOK ON SUSTAINABILITY

# FOR MIGROS, SUSTAINABILITY IS NOT ONLY A FUNDAMENTAL APPROACH IN CONDUCTING BUSINESS BUT ALSO IS THE EVIDENCE OF THE CARE IT GIVES TO ITS CUSTOMERS, SUPPLIERS AND THE EARTH.

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The issue of sustainability is positioned as the mutual responsibility of all employees within the company.

Migros handles its sustainability management approach at the board level and manages it through the Sustainability Committee. The Migros Sustainability Committee, which brings together the leaders of different units of the company assesses legal, physical, environmental, operational, socio-economic risk and opportunities with regard to sustainability.

The issue of sustainability is positioned as the mutual responsibility of all employees within the company.

### A Healthy Company

#### Governance...

The Board of Directors at Migros is responsible for defining strategic approach towards sustainability issues such as climate change, environment, biodiversity, human rights, health and safety, governance and work ethics, responsible business practices and social development.

Migros continued to carry out its duty in the board of directors of Consumer Goods Forum (CGF), that has been one of the most prominent organizations of the retail sector in the world since 2013.

Since 1954, Migros has paid attention to the protection of the natural environment and the rights and health of its employees and customers. Migros directs sector standards by encouraging good shopping

habits and consumer awareness through the many innovative practices that it has launched.

#### Dialogue with Shareholders...

Meeting shareholders expectations at the highest level is assured by implementing practices aimed at integration of sustainability practices into the Migros organization and the development of sustainability performance

#### The Work Ethic and Tackling Bribery...

The Migros Work Ethic principles that include issues such as tackling bribery and corruption was set up by the Migros Ethical Committee, that gathers four times each year. The Migros Work Ethic principles are published on the corporate website and in the annual reports, and can be accessed by all stakeholders.

#### Human Rights...

Migros adheres to universal human rights in line with the United Nations Guiding Principles on Business Life and Human Rights and The ILO Declaration on Fundamental Principles and Rights at Work. Since 1972, Migros has offered a workplace where the right to establish a trade union is respected since 1972. Constructive dialogue between the trade union and Migros includes issues such as ending forced labor and child labor, complying with all local law and regulations, being impartial and fair and

many other similar issues. In 2014, Migros signed a collective bargaining agreement with the Tez-Koop trade union, which covers the period between 1 May 2014 and 30 April 2017.

Migros participates in the Employee Health and Wellness working group as a board member of the Consumer Goods Forum.

### Customer Confidentiality and Data Security...

Migros attaches great importance to customer confidentiality. It aims to help its customers understand why, how and what kinds of data it collects from customers, what it does with this data and how it ensures the security of the data through the Confidentiality and Data Security Policy that it publishes on its corporate website and annual reports

### Healthy Products

Migros believes that good nutrition and responsible supply is the essence of human development, life and productivity and shares this view through all relevant platforms.

#### Good Nutrition...

Migros makes the products that support a healthy life more affordable day by day in Turkey through its constantly increasing store numbers and food range that it offers for sale. In 2015, Migros put in total 793 products, 177 of which are Migros private-labeled products, on its shelves. As of end of 2015, a total of 144 Migros private-labeled products had the 7 nutrition indicators on their packaging. Migros brand, "M Life", designed for those who want to protect their health as well as those with health issues, is a product range that consists of organic, low-calorie and diabetic products.

#### Responsible Supply...

Migros was the first food retailer to obtain four quality management certificates from the Turkish Standards Institute.

In addition to these certificates, Migros – which also attaches importance to product certificates – holds the Organic Entrepreneur Certificate and Good Agricultural Practices (GAP) group certificates. Migros subjects its suppliers to high standards and constantly audits them in order to protect product and service quality.

Since the beginning of the GPA process in Migros in 2009, the total quantity of products supplied with the GPA certificate has amounted to 379,567.75 tons.

In line with its sustainability strategies, Migros audits its suppliers in accordance with the ISO 9001, ISO 22000, ISO 14001, OHSAS 18001 and SA 8000 standards, in addition to its suppliers' production of "quality and safe product", in order to improve its performances pertaining to employee rights, occupational health and safety, work ethic, environmental impacts and safe production. In line with this, 685 supplier audits were carried out in 2015, which included food and non-food supplier companies.

### Healthy People

Migros aims to improve the health and wellbeing of its employees and customers in all geographical areas where it provides services and to achieve a "good life" for everyone. A wide array of activities are carried out by Migros to identify the needs of a community in the region where it operates and contribute to its existing status.

#### Employee Health and Wellness...

In 2015, Migros obtained the OHSAS 18001 Occupational Health and Safety Management System certificate to assure its health and wellbeing of its employees. The certificate includes all of its stores and distribution centers.

Seven projects were executed by 1,613 employees in 2014, which included the smoke-free workplace initiative and employee health programs, in order

to support a healthier lifestyle among employees. This figure was raised to 13 programs and 2,786 employees in 2015.

#### Employee Development...

By the end of 2015, Migros had succeeded in providing an average of 19 days of training to each of its employees, surpassing its annual average training day target of 17 days. These training programs are aimed at supporting the personal development of Migros employees as well as their adaptation to novelty and change.

#### Employee Equality...

Migros takes a firm stance against discrimination on the basis of ethnicity, race and sex without any exception. As of end of 2015, Migros employed 20,171 staff in Turkey, of which 7,777 were women. As an indicator of the importance Migros attaches to gender equality, 67% of new recruits for the head office were women in 2015. Migros also demonstrates the highest sensitivity in ensuring that there is no child labor in its stores or in the workforce of its suppliers.

#### Society...

Migros always considers the wellbeing and quality of life of society and contributes to its development through the projects that it undertakes and the actions that it takes with regard to these issues.

Within the scope of "Removing Obstacles in Shopping" program, there were a total of 251 wheelchairs in 223 stores in 2015.

# 793

In 2015, Migros put in total 793 products, 177 of which are Migros private-labeled products, on its shelves.

OUR OUTLOOK ON SUSTAINABILITY



In 2015, Migros obtained the OHSAS 18001 Occupational Health and Safety Management System certificate to assure its health and wellbeing of its employees. The certificate includes all of its stores and distribution centers.

The “Let Us Carry for You” project is intended for people aged 65 or older, where store personnel accompany elderly shoppers and carry their purchases as they return home.

In 2015, walking courses for healthy life were set up in the Sakarya and Erzincan provinces within the scope of a project under the motto of “Get Moving!”, which enables customers to win awards as they walk. The project was launched in 2014.

Migros’s “Special Support for Special Athletes” campaign, that has been ongoing for more than ten years, is a social responsibility project in sport. Almost 5,000 young people with special needs are encouraged to play a more active role in society through the sports support given to them.

Migros employees collected rubbish along the Caddebostan seaside in an event organized twice in 2015 with the “Environment is Ours, the Seaside is Ours” motto, where everyone was invited to demonstrate sensitivity about the environment.

In its collaborations with the State Theater over 21 years, Migros has so far enabled more than 800,000 children to enjoy theatrical performances free of charge in Turkey’s many provinces on the 23rd April Theater Festival and in the Migros

Children’s Theatre, which celebrated its 10th anniversary in 2015.

Through the “Children’s Clothes Donation Campaign” that Migros has been conducting jointly with Ariel (Procter & Gamble) and has become a regular event, a total of 220,000 children have been donated clothes over the last 5 years.

Migros donated some of the revenues obtained from the sales of products in the Mother-Baby Catalogue to the Turkey Foundation for Children in Need of Protection and supported children’s education.

Migros donates products that have passed their sell-by date from more than 200 stores to the Animal Rights Federation (HAYTAP) in support of its efforts to feed stray animals.

**Healthy World**

Migros works to establish an operational structure that is environmentally friendly and reliable across the entire value chain from procurement to after sales services.

The Company’s Environmental Policy aims to carry out activities aimed at raising environmental awareness, protecting the environment and prioritizing the needs of future generations to leave them a cleaner environment by acting together with Migros’s stakeholders.

Migros aims to obtain TS EN ISO 14001 Environmental Management System certificate alongside its sustainability activities in 2016.

#### Climate Change...

Migros calculates greenhouse gas emissions every year and aims to reduce emissions when compared to the previous period. The Company's Corporate Greenhouse Gas Emissions resulting from all of its operations amounted to 326,818 tons of carbon dioxide equivalents in 2014.

As part of its policy to tackle climate change, Migros aims to reduce its carbon emission per square meter by 20% by 2025, when compared to its 2015 levels.

Migros carries out activities to conserve water in all operations to protect natural resources as part of the sensitivity it demonstrates to the environment. The company's working principles include preventing the environmental impact of waste water resulting from its operations and executing its legal duties.

Climatization and refrigeration systems are the most significant source of energy use and emissions in stores. In order to control energy use in these processes, the refrigeration automation system was launched in more than 1,100 stores.

Migros has launched a trial process for a transition to using natural coolers, and the company will devise an action plan according to the results.

#### Biodiversity...

One of the main objectives of the Company's operations is to protect environmental sustainability. The environmental management vision encompasses constant management of environmental impacts, working on

the development of biodiversity value, forming collaborations with suppliers to manage the impacts across the value chain and executing various projects and campaigns to increase public awareness.

Migros takes a stance against deforestation primarily in Turkey by considering the climate and nature. In 2015, Migros planted 17,200 saplings in conjunction with the Aegean Forest Foundation and a total of 529,450 saplings had been planted at the end of 8 years. At the same time, Migros attaches importance to the certificates that prove that palm and soy oils used in some of suppliers' products do not cause deforestation.

#### Usage of Resources...

Migros cares about using the resources at source and recycling. A total of 5,727 tons of organic waste from food products whose shelf life expired, measured within the scope of Food Loss & Waste (FLW) standard of CGF (Consumer Goods Forum), were sent to the biogas plant in 2015 and biogas and compost were produced from these wastes.

Within the scope of work to collect electronic waste, in 2015, Migros collected 115 tons electric and electronic equipment waste generated by the customers and Migros, with the collection of e-waste recycling practice saving 1,076.5 tons of CO2 emissions.

1.24 tons of batteries were collected through the battery waste collection boxes placed in stores.

8.3 million batteries were recycled through Migros's recycling collection kiosks.



Migros always considers the wellbeing and quality of life of society and contributes to its development through the projects that it undertakes and the actions that it takes with regard to these issues.

## CORPORATE SOCIAL RESPONSIBILITY

# MİGROS TAKES CONCRETE STEPS TO RAISE SOCIAL AWARENESS IN THE FIELD OF SOCIAL RESPONSIBILITY AND EXECUTES PIONEERING PRACTICES IN THE SECTOR.

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### Corporate Social Responsibility

In line with its 61 year history and sustainability vision, Migros, which has such strong ties of affection with its consumers, takes concrete steps to raise social awareness in the field of social responsibility and executes pioneering practices in the sector.

Many activities are carried out to raise awareness of social responsibility, to leave a healthier and habitable planet to future generations and to promote the efficient use of resources. Migros bases its activities on the principle of being responsible for people, nature and future generations. Migros devises various projects by identifying the areas needed for social development. It carries out activities in which suppliers, customers and employees are participants spread these projects at the grassroots level by collaborating with foundations, associations and non-governmental organizations.

Social needs such as education, the arts, sport, the environment and a healthy and good life are at the heart of Migros's work on social responsibility. Migros devises all of its projects around values such as innovation, customer focus, leadership, sensitivity, efficiency and trust, which Migros adopts wholeheartedly.

Sustainability is the reference point for all of the projects that Migros carries out. There is an in-house "Sustainability Committee" over which senior managers preside to coordinate sustainability work processes from a single point. Under the leadership of this committee, work is carried out which takes into consideration a wide range of criteria such as global warming, biodiversity, efficient use of natural resources, reduction of water resources, the supply chain and corporate governance.

### Balanced Diet + Activity = A Good Life

Developing important projects aimed at improving public health, Migros works to ensure that a healthy life becomes a lifestyle through its "balanced diet" and "Activity" projects carried out under the "Good Living" motto. Migros plays an important role in developing the health and wellbeing of its customers and the general public, for which it provides services. The positive effect of the work being carried out for its consumers to access a healthy and good diet and to support an active and healthy life for all is rapidly increasing. Communication and education programs are employed to help raise consumer awareness of the energy balance that directs a healthy life, a balanced diet and healthy lifestyle.

The “Good Agricultural Practices” (GAP) project launched by Migros in conjunction with the Ministry of Food, Agriculture and Livestock in 2010 is a project which aims to ensure that Turkish consumers consume the best agricultural products with confidence, that future generations eat a healthy diet, and to bring about more efficient and productive use of agricultural land in Turkey through environmental practices. Through the practice, Migros was the first retail company to apply a control system based on reliable criteria regarding pesticide analysis, traceable products and a farming model that protects human, animal and environment health with the highest quality fruit and vegetables through the GAP. Accordingly, every stage of production is recorded any many criteria such as the selection of seeds that will sewn into fields, the possible environmental impact of land farming, standards of prescribed medicine and fertilizers which take account of the health of farm workers are taken into consideration and relevant requirements are complied with.

Any potential environmental hazards in all practices that will be carried out during the production stage of products with the GAP standard that are put on Migros shelves are examined, and any practice which could harm the environment is prevented. Migros prefers to procure its products from suppliers who adopt GAP in support of ecologic biodiversity as an agricultural product retailer.

Migros also provides consultancy and training to producers to encourage farming with GAP. Since the GAP process started to be implemented at Migros in 2009, the total quantity of products which were GAP certificated has amounted to 379,567.75 tons. Migros has also included practices developed for poultry and beef and lamb products into its “Good Life” standards. These practices, that target freshness, are important for consumers

who adopt these standards with Migros and find upward world trends on Migros’s shelves.

Migros also owns Turkey’s largest integrated meat processing plant in the food retail sector. Meats processed here are brought from the farm to the table after being checked. All production processes carried out in the plant are certified by the Turkish Standards Institute (TSI). The plant houses laboratories where products are analyzed in terms of their compliance with the standards.

The products, marketed with the “Expert Butcher” label, and which are ready for consumption and can be prepared without manual intervention, won the “Remarkable” and “Good Taste” awards in the “Superior Taste Awards”. This system implemented for red meat has also served as a very important reference for Turkish farmers.

The “Good Poultry” project carried out within the scope of good agricultural practices by the Ministry of Food, Agriculture and Livestock was again launched under the leadership of Migros in the sector and is an important project which promotes the consumption of healthy products. White meat suppliers participating in the project carry out their production processes by taking into account of human health, the environment and animal health and welfare, and the production processes are carried out in accordance with criteria set out in the relevant standards and demonstrate compliance with such criteria through laboratory tests. Chickens with the GAP certificate are put into clean and disinfected hencoops are grown with food and water, and are periodically analyzed and under controls by veterinary doctors. They are also inspected by control and certification bodies authorized by the Ministry of Food, Agriculture and Livestock. A total of 11 suppliers and 419 poultry farms were included into the certification process.



The products, marketed with the “Expert Butcher” label, and which are ready for consumption and can be prepared without manual intervention, won the “Remarkable” and “Good Taste” awards in the “Superior Taste Awards”.

## CORPORATE SOCIAL RESPONSIBILITY



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Migros works to ensure that a healthy life becomes a lifestyle through its “balanced diet” and “Activity” projects carried out under the “Good Living” motto.

Migros, which considers being active one of the essential elements of a healthy life, offers the Migros My Store (Mağazam) application which can be accessed simply by clicking on the “Get Moving” tab and choosing the city where they live from their smart phones. The application, introduced in 2014, offers users the chance to win as they walk within the scope of a project offering competitions. The objective of the project was to develop “a walking course for a healthy life”, and it attracted a great deal of interest from sporting fans in most provinces. In 2015, “Migros life walking courses” were set up in the Adapazarı Serdivan and Erzincan provinces that won the competition within the scope of a project.

Also in 2015, public awareness events regarding healthy living and sport were organized through the Vodafone People Walk. A total of 300 personnel from Migros who walked from Asia to Europe said “Get Moving”. In addition, Migros distributed Private Label healthy snacks to around 10,000 participants, who are committed to healthy living and in search of a healthy life, while also promoted good agriculture, good poultry and good meat products at events organized within the scope of the ‘Global Wellness Day’ celebrated in 52 countries on the same day. It also invited people to the events through announcements in its stores.

Migros, which creates a difference with the projects it develops in the field of corporate social responsibility, supported the “Big Picture” project executed by the Turkey Handicapped Sports, Education and Assistance Foundation (THSEAF-TESYEV) with the objective of meeting the needs of disabled people. Migros put THSEAF’s 15th Anniversary “Big Picture” CDs on sale in its stores, thereby mediating in the revenue to be gained from the sales of CDs to contribute to the education and health needs of disabled people.

The “Young Uniforms Training Program” project was executed between 2008 and 2014 with the objective of encouraging children to take up sports and for them to gain a sense of fair play through the Turkey Educational Volunteers Foundation. This project reached children from all around Turkey, that was awarded the Grassroots Charter star the third time in 2014 within the scope of UEFA’s “Football for Everyone” program. The Young Uniforms project also was deemed worthy of the honors prize in the “sportive promotion” category in the “2013 Fair Play Awards” organized by the Turkey Olympiad Committee. In the project that ended in February 2014, a total of 4,997 children received education and 245 volunteers participated in the project.

Migros seeks to instill the spirit of fair play in children, who are the guarantors of our future. Migros added another new event to the range of activities it offers in order to contribute to raising individuals who will listen to and try to understand each other. It contributed to the activities carried out within the scope of "Future Young Athletes Growing Sports Festival". In the "Future Young Athletes Growing Sports Festival" organized this year for the first time with the support of the İzmir Karşıyaka Governorship, the Karşıyaka Municipality, the District Education Directorate and Bostanlıspor, Migros conveyed to young people the importance of team play and helping each other through sports, helping them to develop a sense of competition within the framework of rules.

Launched in 2011 within the scope of "Removing the Obstacles in Shopping" program, store employees are appointed to escort customers with disabilities and assist them while shopping. With the "Let Us Carry for You" project intended for people aged 65 and over, store personnel accompany elderly shoppers and carry their shopping as they return home. In this context, the project started in 204 stores with 229 wheelchairs in 2014. The number of wheelchairs was increased to 251 in 223 stores in 2015. Accordingly, all stores with the Migros Jet cash counter type and Jet cash counters were adapted for wheelchair access.

Migros and Paşabahçe launched a project to support the Turkey Breast Foundation (MEVA); a certain percentage of the revenue earned from the cups especially designed for Migros by Paşabahçe was donated to the Breast Foundation.

The "Morning Sports" project was also carried out in 2015. In this context, a total of 4,000 people (in Güzelyalı, the Bostanlı coast and Bornova) exercised six mornings a week, accompanied by a sports coach.

Migros's "Special Support for Special Athletes" campaign is a social responsibility project in sports. Some of the revenues obtained from Procter&Gamble products sold in Migros are donated to the Turkey Special Olympiads Committee. Almost 5,000 mentally disabled young people were encouraged to play a more active role in society through the support to sport extended to them by 7.3 million Migros customers since 2004.

In another project in İzmir, Migros held weekly bicycle tours under the "Sundays with a Bicycle" slogan, which draws bikers together. Expanding the support for this sport, the "3rd High Schools Cycling Competition" was organized in 2014, where 2,500 high school pupils enjoyed the competition and 800 pupils learned to ride a bicycle. Cycling tours under the "Sundays with a Bicycle" motto were organized in 2015, with a total of 3,000 people participated in the tours.

#### Contribution to Education

In 2015, support was provided to raise awareness about preschool education through UNICEF stands positioned in Metrocity, Ortaköy, İstinye, Anadoluhisar and ACR Loft Migros stores.

Support was provided to school education for children with limited opportunities by sending stationery sets to the "Children are Ours Teaching and Learning Support Association".

Two Notebooks were donated to Kartal Vocational Training Centre.

Through collaboration with the Ministry of Energy and Natural Resources, the Ministry of Family and Social Policies, the Energy Efficiency Association (ENVER) and Migros, support was extended to inform families of energy conservation by displaying banners that include small measures that can be taken to reduce energy consumption in all Migros stores.



In 2015, "Migros life walking courses" were set up in the Adapazarı Serdivan and Erzincan provinces that won the competition within the scope of a project.

## CORPORATE SOCIAL RESPONSIBILITY



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# 323 K

The Migros Children's Theater has given 323,100 children in 60 provinces a chance to enjoy theatrical performances in the course of a decade.



In the field of education, within the scope of the collaboration carried out with "Book for Everyone Foundation", in total 45,300 books that had been left in "Book for Everyone Foundation Packages" by Migros customers have been delivered to those waiting. Also, Migros donated some of the revenues obtained from the sales of products in Mother-Baby Catalogue that covers October-November period between 2014 and 2015 to Turkey Foundation for Children in Need of Protection and supported the children's education.

Thousands of children have been helped through the "Children's Clothes Donation Campaign" that Migros has been conducting jointly with Ariel (Proctor & Gamble) and which has become a traditional event. During the campaign, which enjoyed strong support from customers, clothes collected in Migros stores were first cleaned with Ariel detergent before being delivered to children by the Community Volunteers Foundation as if in brand new and in clean condition. Through the campaign, more than 500,000 clothes have been donated to 220,000 children over a period of 5 years.

In an another activity in the field of education, which is the foundation of a sustainable future, some of the revenues obtained from the sale of private label products are donated

to the Turkey Educational Volunteers Foundation, thus ensuring support for the Education Mobilization Campaign. Besides, during the week of the 23rd April National Sovereignty and Children's Day celebrations, Migros customers may send toys, stationery and children's books bought from Migros to children through the Turkey Educational Volunteers Foundation.

### Life Education through Theater...

The Migros Children's Theater is Turkey's most enduring social responsibility project concerned with the theatrical arts. Conducted with the slogan "Hand And Hand Into Tomorrow", the Migros Children's Theater has given 323,100 children in 60 provinces a chance to enjoy theatrical performances in the course of a decade. Celebrating its 11th anniversary with the 2015-2016 season, the Migros Children's Theater travels and mounts performances all over the country. Written and directed by Enis Fosforoğlu, "The Crafty Candyman" focuses on the essential importance of good nutrition and activity to good living... The play toured Turkey's 31 provinces and reached 23,100 children. The Migros Children's Theatre will celebrate its 11th anniversary through the plays in Istanbul and Mersin provinces in 2016; 11,000 children will be informed of the foundations of a good life. Additionally, Migros has also been collaborating with the Turkish State Theater for 20 years in the

# 8.3 mn

With the “Environmental Kiosks”, which were launched for the first time in 2010, a total of 8.3 million items of packaging waste has been recycled to date.



staging of plays for children for two weeks every spring as part of Children’s Day celebrations. To date, about half a million children have attended such performances free of charge thanks to Migros’ support.

#### Examples of “green” retailing

Prevention of rapid consumption of natural resources and waste management strategies that aim to transform generated wastes into inputs for economy and removing them from being a threat to environmental and human health, forms the basis for sustainable development approach adopted increasingly as a priority policy objective all over the world.

Migros strives to ensure the formation of an operational structure that is environmentally friendly and reliable throughout the entire value chain from procurement to after sales services. In line with this objective, the Company develops an environmental management system, places importance on biodiversity and undertakes activities aimed at tackling climate change. With its pioneering vision, Migros aims to achieve operational excellence, increase social awareness and participation when it comes to environmental protection. According to its environmental policy, Migros adopts the principles of the ISO 14001 Environmental Management System standard.

Migros planted 529,450 saplings in forest nurseries over eight years to replace trees that have been burned and destroyed in the Aegean region through Aegean Forest Foundation in Dikili, Torbalı, Şirince, Çeşme, Seferihisar and Urla namely Customer Forest, Personnel Grove, Partners Forest. For Customer Forests, olives grown by Aegean Forest Foundation were put onto shelves in Migros and the revenues obtained from them are used for creating new forest areas. The forested areas, that allow the survival of many different species, demonstrate the importance that Migros attaches to biodiversity. In 2015, Migros began to monitor its suppliers’ usage of certified soy and palm oil regarding deforestation. The objective of this monitoring is to create awareness among suppliers when it comes to sustainable farming practices.

In partnership with ÇEVKO, Migros also launched a training program for consumers, aimed at raising awareness of meeting social and economic needs of future generations and creating a future where people and nature can coexist in productive harmony. The focus of the training practice is the necessity of separation and collection of packaging wastes from household wastes.

Packaging wastes of private label products were collected and recycled by the ÇEVKO Foundation, which Migros is a member of. There is a “Green Point” label on all private label products. A total of 3,632 tons of packaging waste was collected on behalf of Migros and recycled.

Additionally, Migros encourages its customers to separate household paper, plastic, metal and glass wastes and leave them in separate recycling bins (“Environmental Kiosks”), which were launched for the first time in 2010. A total of 8.3 million items of packaging waste has been recycled to date. By bringing waste to the recycling points Environmentally conscious customers have the opportunity to win a cloth bag, adopt a sea turtle (which are rapidly becoming extinct) or donate a sapling to the Migros Customer Forest. The project of adopting rapidly becoming extinct sea turtles is aimed at protection of biodiversity, which was launched with the WWF (The World Wide Fund for Nature) in 2012. In this manner, Migros provides financial support for the protection of green turtles project, which are in the IUCN Red List of Threatened Species.

Besides, in partnership with Unilever, customers contributed to recycling by leaving cosmetic and detergent group plastic product packages at recycling

## CORPORATE SOCIAL RESPONSIBILITY



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points within the framework of the recycling project launched by Migros in 2014. Customers earned a 25% discount for detergent and personal care products of Unilever by leaving their packaging waste in the relevant sections in the recycling points. A 20.2% increase was achieved in the recycling rate when compared to the previous year within the project.

Migros also implemented the waste separation project in the head office, where wastes were separated at their source as packaging, paper, glass and organic waste and therefore helped ensure that this waste supported the country's economy. Also, to make the project more understandable and

attractive for employees, necessary training was provided for all employees and cleaning personnel regarding the waste separation project. Thus, within the last 4 months of 2015, 18 tons of packaging waste and half a tonne of glass waste was collected in the head office, with this waste then recycled by licensed companies.

Migros took part in an important social responsibility project for World Environmental Day to raise awareness of environmental cleanliness, where Migros staged a clean-up of the Caddebostan seaside, on the Asian side of Istanbul and also a clean-up of the Bakırköy seaside on the European side, with the voluntary participation of its employees. Migros employees, who set out with the motto of "Our Environment, Our Coast" in the event organized for the second time in 2015, encouraged everyone to be sensitive about environment by collecting rubbish along the seaside. A waste exhibition of Exitcom Electronic that supports this environmental movement initiated by Migros employees was displayed in the Caddebostan Migros store. After being placed in the Caddebostan Migros store, the DEHA Vegetable Oil Collection Information Desk was placed in the Galeria Migros store on 5th June. The "Our Environment, Our Coast" project, implemented first in 2014, emerged as a project that makes a difference in terms of

# 53

In 2015, "waste oil collection bins" were positioned in 300 Migros stores in 53 provinces for the collection of waste vegetable oil from customers.

# 22.5

In 2015, a total of 22.45 tons of waste vegetable oils were delivered to licensed companies. The project is planned to be disseminated in 2016.



compliance with the ISO 14001 standard, and the Migros Environmental Cleanup Committee was set up during this process. The “Our Environment, Our Coast” project became a first in the “Corporate Projects Distinguished with Success” category in 2014.

In 2015, “waste oil collection bins” were positioned in 300 Migros stores in 53 provinces for the collection of waste vegetable oil from customers. Due to this project, waste vegetable oils brought by environmentally sensitive customers and also generated by Migros were delivered to a licensed company authorized by the Ministry of the Environment and Urbanization. Earnings from the collection of waste vegetable oils have been transferred to the Clean Sea Foundation-TURMEPA, thereby contributing to the clean-up of the seas. In 2015, a total of 22.45 tons of waste vegetable oils were delivered to licensed companies. The project is planned to be disseminated in 2016.

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of waste vegetable oils have been transferred to the Clean Sea Foundation-TURMEPA, thereby contributing to the clean-up of the seas. In 2015, a total of 22.45 tons of waste vegetable oils were delivered to licensed companies. The project is planned to be disseminated in 2016.

In 2011, Migros structured its integrated waste management system based on a “zero” waste target by collaborating with Boğaziçi University. The objective of this system is to separate waste at their sources and to dispose them through the most suitable methods and contribute to the economy. In line with this objective, training aimed at increasing awareness has been organized for store employees.

In 2015, organic wastes were separated at their source in certain number of stores and 5,727.68 tons organic waste were sent to biogas plants. 3,326 tons compost and 572,800 m3 biogas were obtained from these wastes. Secondary packaging materials can also be a certain source of waste. In order to prevent the generation of these wastes, foldable and reusable plastic casing was begun to be used for fruit, vegetable and red meat and plastic and cardboard use was markedly reduced.

Within the scope of environmental sustainability, Migros included the reduction of food loss and waste into its strategies. On 20 May 2015, work to comply with the FLW (Food Loss &

Waste) standard published by the CGF (Consumer Goods Forum) was initiated. The amount of food loss and waste categorized according to the standard were calculated and analysis was started in order to manage the results.

Within the framework of work to reduce the use of printed materials, measures were introduced regarding paper dimensions and design. Besides, analysis programs were transferred into hand-held computers, as a result, 32.5 tons of paper have been saved annually.

As the first retailer in the sector to pioneer the practice of environmentally friendly bags, Migros achieved a remarkable success in reducing the consumption of plastic bags; after reducing plastic bag use by 9% in 2011, it achieved a 4% reduction in 2012 and 1.6% reduction in 2013 by establishing more communication with customers. Migros created a new set of key performance indicators (KPI) for plastic bag use. In this context, the use of plastic bags is monitored by measuring the number of products per plastic bag. In this respect, informative training was provided to cashiers in the stores aimed at reducing the use of plastic bags. The results of the work carried out were reported to the Ministry of the Environment and Urbanization.

Moreover, Migros encourages its customers to use mobile cards instead of plastic cards to reduce the environmental

## CORPORATE SOCIAL RESPONSIBILITY



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# 115.1

The quantity of electricity and electronic equipment waste collected amounted to 115.1 tons in 2015.

impacts even further. Usage of the Mobile Money Club Card increased from 7.9% in 2014 to 25% in 2015. The same usage rate amounted to 10.66% in all shopping transactions, surpassing the 2015 target of 9%.

Migros is in collaboration with the Portable Battery Manufacturers and Importers Association (TAP) for the collection of used waste batteries. In this context, waste battery collection boxes have been placed in the stores. Around 200kg of waste batteries were collected in 2012; this increased to 2.89 tons in 2013, 0.917 tons in 2014 and 1.24 tons in 2015. These waste batteries were sent to the TAP Association for recycling.

The EEE (Electricity and Electronic goods) waste collection project launched in Macrocenter, 5M Migros, MMM Migros and MM Migros formats in 2013 continued in 2015. Electricity and Electronic equipment waste brought into the stores by customers and also the waste generated by Migros was sent to licensed companies authorized by the Ministry of Environment and Urbanization. The quantity of electricity and electronic equipment waste collected amounted to 72.23 tons in 2014 and 115.1 tons in 2015. This waste was sent for recycling. Migros also rapidly switched old type PCs with flat screen computers in the company, saving 2,500 MWh of electricity. During

this transformation, 26 tons electronic waste was recycled.

Migros carries out activities to achieve water efficiency in all operations to protect the country's natural resources, to prevent the environmental impacts caused by waste water produced from its operations and to execute its legal duties, as the Company's working principles. For this objective, the volume of water consumed in the stores, service sections and production facilities are monitored and reported monthly. Migros consumed 535,900 m<sup>3</sup> of water during its operations in 2014. Most of the water used in the operations is supplied from Municipal water networks. Water consumption from ground water resources is minimal. Waste water generated in the stores is discharged into Municipality sewage system. The waste water generated in Gebze and Kemalpaşa Distribution Centers, which have treatment plants, is discharged into sewage system after being reduced to pollution load level that is in compliance with legal limits. Thus, Migros assures that no significant environmental impact occurs on water resources' biodiversity qualities as a result of its operations.

Even though the Turkish retail sector is not currently obliged to release greenhouse emission reports, Migros calculates greenhouse emissions

Migros aims to reduce its greenhouse emissions resulting from its operations compared with previous years by calculating greenhouse emissions every year.



generated in all stores, distribution centers, fresh produce warehouses, goods vehicles, regional units and the MİGET meat processing plant voluntarily. The Company's Corporate Greenhouse Gas Emissions resulting from all of its operations in 2013 amounted to 269,387 tons of carbon dioxide equivalents. Migros's scope 1, scope 2 and scope 3 greenhouse emissions amounted to 148,663 tons, 178,156 tons and 44,471 tons of carbon dioxide equivalents in 2014, respectively. Consequently, the Company's Greenhouse Gas Emissions resulting from all operations in 2014 amounted to 326,818 tons of carbon dioxide equivalent. Migros aims to reduce its greenhouse emissions resulting from its operations compared with previous years by calculating greenhouse emissions every year.

Migros installed refrigeration automation systems in 2009, before installing the automation system that controls climatization and illumination systems from the center to reduce energy consumption and emission rates at its stores. With the help of these systems, in 2014, processes pertaining to refrigeration in 938 stores, climatization in 619 stores and illumination in 398 stores became instantly monitored and controlled from afar. In 2015, this had expanded to 1,113 stores for the refrigeration system, 757 stores with the climatization system and

528 stores with the illumination system. Migros prefers environmentally friendly refrigeration systems to reduce energy consumption and greenhouse emissions in all of its new and renovated stores. Migros uses paint which reflects the sun's rays on the roofs of the stores, preventing the formation of heat islands on roofs. Migros also purchases energy efficient T5 fluorescent accessories in its stores; it uses day light illumination systems in suitable stores therefore utilizing sunlight to the maximum level. Migros also carries out campaigns for its customers with the aim of reducing energy consumption and greenhouse emissions in its stores. In this context, 350,000 conventional electricity bulbs brought in by the customers were changed with LED bulbs, resulting in 50% energy efficiency and bringing 2.1 million watts of energy savings.

Within the framework of the central distribution strategy, Migros delivers 80% of its products in fully laden goods vehicles to its stores, thus achieving efficiency and energy consumption and reducing greenhouse emissions. There are night-time deliveries to around 180 of its stores, thus reducing the amount of time vehicles spend in traffic. This saves time and energy, as well as improving road safety. Every year, routes between the distribution centers and the stores are measured and routes are optimized. New distribution centers are opened according

to the results of such analysis. Electric vehicles are currently used in delivery and distribution operations to increase energy efficiency.

Operating in 71 provinces throughout Turkey, Migros also seeks to reduce greenhouse gas emissions during job interviews. Migros uses video conferencing to conduct job interviews in cities where a human resources department is available. Accordingly, the human resource personnel do not need to use a vehicle for transportation, thereby significantly reducing carbon emissions. A total of 1,276 interviews were conducted through the teleconference medium.

Migros encourages its employees, with monetary and non-monetary incentives, to improve performance by developing environmentally friendly practices. By taking into account the general average of quality audits' results conducted in the company and outside the company every year in order to achieve efficiency targets, stores with the highest marks across Turkey are rewarded as members of the "Stars Team that Creates a Difference". These stores were handed "The Store with the Most Successful Quality Management System" award between 2014 and 2015.

Total quantities pertaining to the 2015 resulting from Migros's green retail practices are as follows.

## CORPORATE SOCIAL RESPONSIBILITY



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The Bodrum Maya Migros store, which was designed to be fully environmentally friendly, was the first store in the Turkish retail sector to be granted the LEED GOLD certificate.

- By recycling 2,462.95 tons of paper, 41,871 adult trees were saved from felling, trees that produce the daily oxygen need for 3,014,712 people. By recycling 137 tons of glass waste, 13,700 liters of oil was saved.
- 569.43 tons of plastic waste and 2142.11 tons of metal waste were recycled.
- 1.24 tons of waste batteries were recycled, thereby preventing what would have been permanent damage to the environment.
- 115.1 tons of electronic waste were recycled.

- 5,727.68 tons of organic waste were recycled with 572,800 m3 of biogas obtained. This amount of biogas can provide enough energy to run a 100 Watt bulb for 12,028,800 hours.
- 18 tons of biodiesel were obtained from 22.45 tons of vegetable waste oil.

#### Green Store: Maya Migros Store - Bodrum

One of the prominent examples of sustainable green retail work is the Bodrum Maya Migros store. The store, which was designed to be fully environmentally friendly, was the first store in the Turkish retail sector to be granted the LEED GOLD certificate. This project fulfilled the requirements of green retail, achieving sustainability of energy and natural resources. The store was built with more than 20% recycled material and more than 50% of the waste produced during the construction were recycled in the same way. Due to the installed photovoltaic panels, some of energy consumed by the store is supplied from units that generate renewable energy. Sunlight channels reduce the amount of energy used for lighting by 90% during work hours, by making the use of an illumination system unnecessary in the store between 9 o'clock in the morning and 5 o'clock in the evening, apart from the service sections. Energy systems



# 30%

Energy systems installed in the store have enabled the Maya Migros store to be 30% more energy efficient than ASHRAE Standards for an energy efficient store.

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installed in the store have enabled the Maya Migros store to be 30% more energy efficient than ASHRAE Standards for an energy efficient store. As well as reducing greenhouse gas emissions with the installed systems, environmentally friendly cooling gases used in refrigeration units in the store contribute to the reduction of environmentally hazardous emissions. The systems that provide water efficiency and allow rain water to be collected and used provide opportunity to use water 45% more efficiently in accordance with EPA standards. In order to support customers to develop responsible consumer behavior, a special parking area was separated for hybrid and low-carbon emission cars in the Maya Migros store.

The Bodrum Maya Migros store, which is a pioneering project in the retail sector, received awards in the Environment and Sustainability category by Soysal Retail Sun in 2013. This was followed by the Izmir Alaçatı Macrocenter store, which obtained the LEED Gold certification in Operation and Maintenance category.

### Support is our duty!

Within the framework of a protocol entered into between Migros and HAYTAP (the Animal Rights Federation), Migros donates products approaching their use-by date to HAYTAP, where responsible individuals support the feeding of forest, stray and sheltered pets and animals. The project, which was launched with 65 stores in 2014, was expanded to 205 Migros stores in 24 provinces in 2015.

### Social Support

In 2015, social support was provided to various institutions and organizations by Migros.

- Ramadan parcels were donated to the Red Crescent (Kızılay) and the Foundation of Training and Protection of Mentally Handicapped Children.
- Migros made donations totaling TL 355,975.15 to socially beneficial agencies and organizations in 2015.



The project undertaken by Migros and HAYTAP in order to support the feeding of forest, stray and sheltered pets and animals was expanded to 205 Migros stores in 24 provinces in 2015.

## 2015 ORDINARY GENERAL ASSEMBLY MEETING AGENDA

### MİGROS TİCARET A.Ş.

Date: 23 March 2016

Time: 14:00

Venue: Atatürk Mahallesi Turgut Özal  
Bulvarı No: 7 34758 Ataşehir - İstanbul

1. Opening the meeting and electing the presiding committee; authorizing the presiding committee to sign the minutes of the annual general assembly meeting,

2. Reading, deliberating, and voting on the summary of the independent auditor's report submitted by the independent auditors Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), concerning the Company's 2015 activities and accounts,

3. Reading, deliberating, and voting on the financial statements for 2015,

4. Reading, deliberating, and voting on the Board of Directors' report and the annual report, both concerning the Company's 2015 activities and accounts,

5. Approving the appointments of new Board members to the Board of Directors in accordance with Article 363 of the Turkish Commercial Code,

6. Individually acquitting each of the members of the Company's board of directors of their fiduciary responsibilities for the Company's activities in 2015,

7. Discussing, approving, amending and approving, or rejecting the Board of Directors' proposal concerning dividend distribution,

8. As required by Capital Markets Board regulations and by Corporate Governance Principles, providing information about the Company's dividend payment policy for 2016 and the years that follow,

9. Election and replacement of the independent Board members and other members of the Board of Directors nominated by the Corporate Governance Committee, and determination of their terms of office,

10. As required by Capital Markets Board regulations and Corporate Governance Principles, providing information about and voting on the Company's Board of Directors and senior managers "Remuneration Policy" as well as payments which have been made pursuant to that policy,

11. Determining the gross monthly fees and any kind of financial benefits including bonus, premium, attendance fee, etc. to be paid to the Board members,

12. As required by Capital Markets Board regulations and Corporate Governance Principles, providing information about the Company's "Disclosure Policy",

13. Providing information about the socially beneficial donations and assistance granted by the Company to foundations and associations in 2015; determining an upper limit on donations and assistance to be granted in 2016 as required by Capital Markets Board regulations and the Company's Articles of Association,

14. As required by Capital Markets Board regulations and Corporate Governance Principles, providing information about the Company's "Donation Policy" regarding the socially beneficial donations and aid to be granted by the Company to foundations and associations,

15. Voting on the Board of Directors' selection, upon the recommendation of the Audit Committee, of the Company's independent auditors as required by Communiqué on capital market independent auditing standards published by the Capital Markets Board and by the Turkish Commercial Code,

16. As required by Capital Markets Board regulations, providing information about collateral, pledges, and mortgages granted by the Company in favor of third parties in 2015,

17. Authorizing any shareholders who may be in control of the Company's management, Board of directors and senior managers – as well as their spouses and their relatives, whether by blood or marriage unto the third degree – to engage in business and transactions subject to the provisions of articles 395 and 396 of the Turkish Commercial Code and of Capital Markets Board regulations; providing shareholders information about such transactions made by these aforementioned persons and related parties in 2015,

18. Closing remarks.

## BOARD OF DIRECTORS REPORT

### Board of Directors

Fevzi Bülent Özaydınlı	Chairman
Tuncay Özilhan	Vice-Chairman
Nikolaos Stathopoulos	Vice-Chairman
Stefano Ferraresi	Member
Khalid Hilal Hamood Al Yahmadi	Member
Mehmet Hurşit Zorlu	Member
Salih Metin Ecevit	Member
Can Çaka	Member
Jacob Cornelio Adriano de Jonge	Independent Member
Tayfun Bayazıt	Independent Member
Hakkı Hasan Yılmaz	Independent Member
Aziz Bulgu	Independent Member

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### Audit Committee

Hakkı Hasan Yılmaz	Committee Chairman
Jacob Cornelio Adriano de Jonge	Committee Member

### Corporate Governance Committee

Jacob Cornelio Adriano de Jonge	Committee Chairman
Nikolaos Stathopoulos	Committee Member
Mehmet Hurşit Zorlu	Committee Member
Can Çaka	Committee Member

### Early Detection of Risk Committee

Tayfun Bayazıt	Committee Chairman
Jacob Cornelio Adriano de Jonge	Committee Member
Salih Metin Ecevit	Committee Member
Mehmet Hurşit Zorlu	Committee Member
Erkin Yılmaz	Committee Member

### Senior Management

Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager (Retail Operations)
Erkin Yılmaz	Assistant General Manager (Finance)
Demir Aytaç	Assistant General Manager (Human Resources and Industrial Relations)
Cem Lütfi Rodoslu	Assistant General Manager (Marketing)
Hakan Şevki Tuncer	Assistant General Manager (Investment Development)
Tarık Karlıdağ	Assistant General Manager (Construction)
Mustafa Murat Bartın	Assistant General Manager (International Operations, Online and Wholesales)

## BOARD OF DIRECTORS REPORT

### Board of Directors

The Migros Board of Directors consisted of twelve members in 2015: Fevzi Bülent Özyaydınlı (Chairman), Tuncay Özilhan and Nikolaos Stathopoulos (Vice-Chairman), Stefano Ferraresi, Khalid Hilal Hamood Al Yahmadi, Mehmet Hurşit Zorlu, Salih Metin Ecevit, Can Çaka (members), Hasan Yılmaz, Aziz Bulgu (independent members)

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At the Company's annual general assembly meeting on 9 April 2015, Fevzi Bülent Özyaydınlı, Nikolaos Stathopoulos, Stefano Ferraresi, Giovanni Maria Cavallini, Khalid Hilal Hamood Al Yahmadi, Marco Castelli, Ömer Özgür Tort, and Evren Rifki Ünver were elected to seats on the Board of Directors as board members while Hakkı Hasan Yılmaz, Tayfun Beyazıt, Jacob Cornelio Adriano de Jonge, Aziz Bulgu were elected to serve as independent board members.

As stated in the Company's material event disclosure of 15 July 2015 published on the Public Disclosure Platform (KAP), Tuncay Özilhan, Mehmet Hurşit Zorlu, Salih Metin Ecevit and Can Çaka were appointed to fill the seats vacated by the resignations of Board of Directors members Giovanni Maria Cavallini (Term of Office: 09 April 2015 - 15 July 2015), Marco Castelli (Term of Office: 09 April 2015 - 15 July 2015), Ömer Özgür Tort (Term of Office: 09 April 2015 - 15 July 2015) and Evren Rifki Ünver (Term of Office: 09 April 2015 - 15 July 2015). According to the Board of Directors decision passed on 15 July 2015, Fevzi Bülent Özyaydınlı was elected as the Chairman of the Board and Tuncay Özilhan and Nikolaos Stathopoulos as Vice-Chairmen.

At a general assembly meeting held on 09 April 2015, shareholders voted

to pay independent board members a fee of TL 20,000 (gross) for each board meeting they attend and not to pay any attendance fees to other board members.

The Board of Directors is authorized to take decisions about all matters except those which are reserved to the general assembly under the Turkish Commercial Code or by the Company's articles of association.

Under article 17 of the articles of association, board members serve for three-year terms unless a shorter term of office is specified at the general assembly meeting at which they are elected. A board member whose term of office expires may be reelected. Shareholders assembled in a general assembly meeting may, for just cause and at any time that they deem such action to be necessary, dismiss any board member whether or not such an item is on the meeting agenda.

In compliance with CMB regulations and the new provisions of the Turkish Commercial Code, an audit committee, a corporate governance committee, and an early detection of risk committee have been set up at the Company. The duties of a nominating committee and of a remuneration committee are performed by the Migros Corporate Governance Committee.

At a meeting of the Migros Board of Directors held on 15 July 2015:

- It was decided that the Audit Committee will consist of two independent directors. Hakkı Hasan Yılmaz and Jacob Cornelio Adriano de Jonge were elected to fill these seats, with Hakkı Hasan Yılmaz being chosen to serve as a committee chairman.

- Jacob Cornelio Adriano de Jonge, Nikolaos Stathopoulos, Mehmet Hurşit Zorlu and Can Çaka were elected to seats on the Corporate Governance Committee, with Jacob Cornelio Adriano de Jonge being chosen to serve as a committee chairman.
- Tayfun Bayazıt, Jacob Cornelio Adriano de Jonge, Salih Metin Ecevit, Mehmet Hurşit Zorlu and Erkin Yılmaz were elected to seats on the Early Detection of Risk Committee, with Tayfun Bayazıt being chosen to serve as a committee chairman.

### Senior Management

Migros Senior Management consists of Ömer Özgür Tort (general manager) and of Ahmet Fuat Yanar, Erkin Yılmaz, Demir Aytaç, Cem Lütü Rodoslu, Hakan Şevki Tuncer, Tarık Karlıdağ, and Mustafa Murat Bartın (assistant general managers).

Under Migros' articles of association, senior executives are chosen and appointed by the Board of Directors.

### Independent Auditing

At a meeting of the Board of Directors on 18 March 2015, the board, acting upon the recommendation of the Audit Committee and in compliance with the requirements of CMB Communiqué on capital market independent auditing standards and of the Turkish Commercial Code, decided to select Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) to be the Company's independent auditor for 2015 fiscal year subject to the provisions of capital market laws and regulations and of the Turkish Commercial Code. This decision was approved at the general assembly of shareholders on 09 April 2015.

### Audit Committee

Jacob Cornelio Adriano de Jonge and Hakkı Hasan Yılmaz were elected members of the Audit Committee as statutorily mandated by Capital Markets Board Communiqué X:22 and by the CMB's communique on the establishment and implementation of corporate governance principles.

Having completed its auditing work and its study of the independent auditors' report as of 31 December 2015, the Audit Committee informed the Board of Directors of its opinion that the consolidated financial statements prepared in accordance with the CMB-published accounting principles pursuant to the provisions of the CMB Communiqué no. II-14.1 on Principles of Financial Reporting in the Capital Market presented a true and fair view of the financial position of the Company as of 31 December 2014 and of its operating results on the date.

The Audit Committee convenes four times a year and submits written reports of its activities directly to the Board of Directors.

### Changes in the Articles of Association

The Company's material event disclosure of 29 January 2015 published on the Public Disclosure Platform (KAP) provided information regarding the Board of Directors' decision to amend the articles of association. The draft amendments to the articles of association were finalized in line with the relevant feedback and comments from the Capital Markets Board of Turkey (CMB). Hence, at a meeting of the Board of Directors held on 26 February 2015, the

Board passed a decision to approve the suggested amendments ("Suggested Amendments") to:

- "Article 16 – Board of Directors",
- "Article 17 – Term of Office and Duties of the Board of Directors", and
- "Article 19 – Meeting and Resolution Quorums of the Board of Directors" of the articles of association.

As stated in the relevant material event disclosures dated 27 February 2015 and 04 March 2015 posted on the Public Disclosure Platform (KAP), the necessary permissions have been obtained from the CMB and the T.R. Ministry of Customs and Trade, respectively. The said changes to the articles of association were presented for the approval of, and were ratified by, the shareholders at a general assembly convened on 09 April 2015. The minutes of the said general assembly and changes to the articles of association were registered on 16 April 2015.

The new versions of the said articles of the Company's articles of association are accessible in the Company's material event disclosures published on the Public Disclosure Platform (KAP) and our corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com)

### Changes in Paid-in Capital during the Reporting Period

No changes occurred in the paid-in capital during the reporting period.

As stated in the material event disclosure dated 15 July 2015, the disposal of the shares representing 80.5% of MH Perakendecilik ve Ticaret A.Ş. that held 50% of our Company's shares

by Moonlight Capital S.A. to Anadolu Endüstri Holding A.Ş. took place on the same date.

As a result of this transaction, total interest that Moonlight Capital S.A. holds in our Company's capital directly and indirectly decreased to 40.25% as at 15 July 2015, while Anadolu Endüstri Holding A.Ş. indirectly holds 40.25% interest in our Company's capital.

Moonlight Capital S.A. notified that it has collected TL 1,061,957,852 and EUR 297,041,599 in total from AEH for the disposal of 80.50% of MH Perakendecilik ve T.A.Ş. shares that correspond to 40.25% of the shares in our Company.

Indirectly, the said sales price per Migros share with a nominal value of TL 1 corresponded to TL 26.86 based on Central Bank of the Republic of Turkey EUR/TL FX buying rate, which is the benchmark rate, determined at 15:30 hours on 14 July 2015.

Nonetheless, Moonlight Capital has "the right to sell" and AEH has "the right to buy" 19.5% of the shares in Moonlight Capital held by MH Perakendecilik 24 months after the share transfer, but in any case by no later than the end of the 30th month thereafter.

As stated in our material event disclosure dated 27 January 2016, Moonlight Capital S.A. ("Moonlight"), one of the shareholders in our Company, notified to our Company that it has transferred the shares it holds in our Company with a total nominal value of TL 26,937,336, including all the rights, obligations and encumbrances thereto, to Kenan Investments S.A., which owns all of the shares in Moonlight, within the frame of

## BOARD OF DIRECTORS REPORT

### Capital Structure

Name	Share (%)	Share Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Moonlight Capital S.A.	15.37	27,371,000
Kenan Investments S.A.	15.13	26,937,336
Other	19.49	34,706,664
<b>Total</b>	<b>100.00</b>	<b>178,030,000</b>

intragroup share transfer for a price of TL 26.00 per share. With this transaction, the shareholding interest of Moonlight in the capital of our Company became 15.37% as at the date of the share transfer, and the shareholding interest of Kenan Investments S.A. in the capital of our Company exceeded the 15% limit and became 15.13% as at the date of the share transfer.

### Migros' Position in the Sector and Investments in 2015

Migros Ticaret A.Ş. operates in the foods and consumer products sector. The Company is both a retailer that sells such products directly to consumers and a wholesaler that sells them to other retailers. The Company also operates shopping malls in Turkey and in other countries through its foreign subsidiaries.

As of end-2015, the Company had 1,410 stores consisting of 469 M, 255 MM, 94 MMM, 464 Migros Jet, 23 5M., 22 Tansaş, and 36 Macrocenter stores located in all seven of Turkey's geographical regions and, through its international subsidiaries, 27 Ramstores in Kazakhstan and 20 Ramstores in Macedonia.

In 2015, new openings consisted of 83 Migros (56 M, 20 MM, and 7 MMM), 154 Migros Jet, 3 Mini Tansaş, 1 Maxi Tansaş, 1 5M hypermarket, and 7 Macrocenter stores in Turkey; in its international operations, 3 Ramstores opened in Kazakhstan and another 5 opened in Macedonia. Thus a total of 257 new store investments went into service last year.

### Financial Standing, Dividend Distribution Proposal, Conclusion

#### Financial Standing

Migros' operational results are compiled in accordance with CMB Financial Reporting Standards, which are themselves based on TMS/TFRS.

In 2015, Migros increased its consolidated sales to TL 9,390 million, translating into a 15.6% increase as compared with the 2014 figure of TL 8,123 million. With this performance, the Company fulfilled its target of achieving double-digit growth last year. Consolidated gross profit was up by 16.7% year-on and reached TL 2,526 million in 2015. In order both to strengthen its competitive position in the sector and to boost its market share, Migros continued to invest in prices—particularly in the private label and fresh foods groups—all year long. In the four years beginning with 2010, the Company's annual consolidated gross profit margin improved steadily from 25.7%, to 26.0%, to 26.3%, 26.6% and to 26.6%. This trend continued in 2015 with the consolidated gross profit margin reaching 26.9%. Migros' consolidated operating profit was TL 263.6 million while its profit margin weighed in at 2.8%.

In 2014, Migros booked an earnings before interest, taxes depreciation, and amortization (EBITDA) figure of TL 529 million. In the twelve months to end-2015, this increased by 13.8% and reached TL 602 million, a figure that corresponds to 6.4% of sales.

After posting a pretax loss of TL 181 million and a net profit of TL 96 million in 2014, Migros booked a pretax loss of TL 346 million and a net loss of TL 370 million in 2015.

Total liabilities correspond to 91% of total liabilities and equity (2014: 86%). 35% of the Company's total assets consist of current assets (2014: 31%) with non-current assets making up the remaining 65% (2014: 69%).

### Profit Distribution Proposal & Conclusion

Within the framework of (1) principles set forth in the Capital Markets Board (CMB) Communiqué II-19.1 on Dividends, (2) of the relevant provisions of our Company's articles of association, and (3) of our Company's publicly disclosed profit distribution policy, our consolidated financial statements for 2015, which have been prepared in accordance with the Turkish Commercial Code (TCC) and CMB regulations, show a net current loss. For that reason, it has been decided to recommend to the general assembly of shareholders at the 2015 annual meeting that no dividend be paid for the year.

Dear Our Shareholders,

This concludes our report of our Company's 2015 activities and results.

We hereby submit for your consideration and approval our Company's consolidated balance sheet and income statement dated 31 December 2015.

Very truly yours,

Board of Directors

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Migros Ticaret A.Ş. (“Migros”, “the Company”, “our Company”)

Address	Atatürk Mah. Turgut Özal Bulvarı No: 7 34758 Ataşehir / İstanbul
Trade Registry No.	659896
Mersis (Central Registration System) No.	0622052951300016
Phone	0216 579 30 00
Customer Care Line	444 10 44

On 20 October 2015, a two-year agreement was executed with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., which holds an operating license to be engaged in performing ratings in accordance with the CMB’s Corporate Governance Principles, for the rating of our Company’s compliance with corporate governance principles.

In the report issued following the rating process, our Company was assigned a Corporate Governance Rating score of 9.46 (94.55%) as at 30 December 2015.

The report includes the following remark: “Migros’s corporate governance rating has shaped up as above in consideration with the Company’s determination to apply corporate governance principles, its willingness to manage this process continuously and dynamically and improvements which had been initiated in this direction.”

The individual scores assigned for each heading to our Company are presented below:

Based on the Corporate Governance Rating of 9.46 (94.55%) assigned to our Company, the Company qualified to be included in the Borsa İstanbul Corporate Governance Index as of 06 January 2016.

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Headings	Weight	Assigned Score (%)
Shareholders	25%	95.44
Public Disclosure and Transparency	25%	97.39
Stakeholders	15%	99.48
Board of Directors	35%	89.78
Average	100%	94.55

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

Migros Ticaret A.Ş. attaches great importance to the implementation of corporate governance principles as prescribed by capital market laws and regulations, the Turkish Commercial Code, and other regulatory requirements.

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Migros is aware of the benefits that the implementation of these principles will have for the Company, for its shareholders, and ultimately for the country as a whole. Our corporate governance practices are constantly being reviewed and improvements are made in them where necessary both so that we may be in compliance with Corporate Governance Principles Communiqué II-17.1 and so that we may be an exemplary company on such issues. Our corporate governance principles compliance report is prepared as indicated in Capital Markets Board Bulletin 2014/02 dated 27 January 2014 and in the format specified in that board's resolution 2/35 of the same date.

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 formed within the Board of Directors in 2007 and charge with overseeing corporate governance matters throughout the Company and with supervising the Investor Relations Department. Capital market laws and regulations mandate that a corporate governance committee be set up and that its head be chosen from among the Company's independent board members. In a board resolution passed on 15 July 2015, Jacob Cornelio Adriano de Jonge, Nikolaos Stathopoulos, Mehmet Hurşit Zorlu and Can Çaka were elected to seats on the corporate governance committee and independent board member Jacob Cornelio Adriano de Jonge, 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 shareholders. In addition, dedicated websites are available on each of our Company's formats for the information of the general public and our shareholders. In addition to forming a part of its annual report, Migros' 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).

Within the scope of the efforts to achieve alignment with Corporate Governance Principles in 2015;

The most recent version of the Company's articles of association that are in conformity with the Turkish Commercial Code and the Capital Market Law are posted on the corporate website ([www.migroskurumsal.com](http://www.migroskurumsal.com)).

As required by the Capital Markets Law's communique's stipulation that announcements about general assembly meetings must be made at least three weeks before the meeting date, our Company's general assembly meeting was duly announced three weeks in advance of the date on which it was to be convened. A general assembly meeting information document containing information about such issues as board members' CVs, the Company's dividend policy, the Board of Directors' profit distribution proposal and schedule, reasons for proposal against profit distribution if applicable, changes in the articles of association with old and new texts presented for purposes of comparison, the Company's remuneration policy, internal guidelines for General Assembly meetings, disclosure policy, and donation policy is also made available to shareholders on the corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

In compliance with the Turkish Commercial Code, with capital market laws and regulations, and with corporate governance principles communiques, the Board of Directors has set up an Early Detection of Risk Committee. Tayfun Bayazıt, Jacob Cornelio Adriano de Jonge, Salih Metin Ecevit, Mehmet Hurşit Zorlu, and Erkin Yılmaz were elected to be the members of the Early Detection of Risk Committee. As required by CMB regulations, Tayfun Bayazıt was elected to its head.

Our Company has become a member of the Investor Relations Association (TÜYİD) in 2012.

## PART I - SHAREHOLDERS

### 2.1 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 shareholders to protect and exercise their rights, including but not limited to, their rights to obtain information and to examine the Company's records.

- Manage general assembly meeting-related matters in compliance with the requirements of laws and regulations and of the Company's articles of association;
- 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;
- Represent the Company before such agencies as the Capital Markets Board (CMB), Borsa Istanbul, the Central Registry Agency (CRA), and ISE Settlement and Custody Bank Inc. and liaise with them;
- Maintain records pertaining to the Board of Directors, to committees set up within the board, and to general assembly meetings;
- Provide the Public Disclosure Platform with information about material events as required by the Public Disclosure Communique (VII-128.6), the Material Events Communique (II-15.1), and other pertinent regulatory requirements;
- 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 legislation;
- Inform senior management of matters and issues with which the Company must be in compliance;
- Prepare the Company's quarterly and annual reports;
- Coordinate efforts and activities related to Corporate Governance in harmony with the Corporate Governance Committee;
- Prepare quarterly and annual informational presentations and bulletins;
- Provide investment banks/brokerage analysts, fund managers, shareholders, and other stakeholders with information about the Company;
- Propose changes to keep the articles of association in 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 to the extent allowed by the Company's disclosure policy;
- Have shareholders' paper-form securities dematerialized;
- Coordinate the initiatives and efforts regarding sustainability.

The Investor Relations Department prepares and submits to the Board of Directors a report of its most recent activities monthly.

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.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

**Assistant General Manager for Finance:**  
Erkin Yılmaz

**Address:** Atatürk Mahallesi Turgut Özal  
Bulvarı No: 7 34758 Ataşehir / İSTANBUL  
**Email:** erkiny@migros.com.tr

**Finance Director:** Ferit Cem Doğan  
**Email:** cemdo@migros.com.tr

**Investor Relations Group Manager**

Dr. Affan Nomak

**Email:** affann@migros.com.tr

**Capital Market Activities Level 3 License**  
No: 204627

**Corporate Governance Rating Specialist**  
License No: 700482

**Investor Relations Associate:**

Ahmet Hüsamettin Özkök

**Email:** ahmeto@migros.com.tr

**Capital Market Activities Level 3 License**  
No: 209815

**Corporate Governance Rating Specialist**  
License No: 702068

The dematerialization of securities is undertaken by Yapı Kredi Securities. During the reporting period, retroactive action was taken at the Company's headquarters concerning Migros Türk T.A.Ş. shareholders and 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. More than 200 shareholders contacted the Investor Relations Department to obtain information on a variety of issues. They were informed in compliance with the requirements of corporate governance principles.

The activities of the Company in 2015 are itemized below.

- Teleconferences conducted during the year: 4
- Investor presentations concerning the Company's financial results: 4
- Financial press releases concerning the Company's financial results: 4
- Material event disclosures sent to the Public Disclosure Platform: 43
- Board of Directors resolutions passed: 30
- Domestic and international conferences and roadshows taken part in: 15
- Analysts and fund managers met with during the year: 324

## 2.2 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.

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.

The shareholders' right to receive and review information as stipulated by the law is not eliminated or restricted neither by any provision contained in the Company's articles of association, nor by any practice based on the Company management's decision.

### Auditing

At the meeting of the Board of Directors of Migros, held on 18 March 2015, it was decided according to the proposal by our Audit Committee that Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) be elected as the independent audit company for the 2015 fiscal year. This decision will be submitted to the General Assembly for approval, according to the Board's resolution.

The Migros general assembly of shareholders voted to approve, as the Company's independent auditor for 2015, the firm of Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), which had been selected by the Board of Directors upon the recommendation of the Audit Committee.

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 corporate governance principles (II-17.1)", 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 15 July 2015, 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 Jacob Cornelio Adriano de Jonge were elected to fill these seats. As also required by Capital Markets Board regulations, Hakkı Hasan Yılmaz was designated as the committee's chairman.

The Company's articles of association contain no provisions that complicate the conduct of a special audit. The Company management avoids undertaking any transaction that would complicate the execution of a special audit. No requests for the conduct of a special audit at the Company were received from shareholders during the reporting period.

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

### 2.3 General Assembly Meetings

Attention is given to covering all issues whose discussion is statutorily mandated when determining items for the agendas of general assembly meetings. General assembly meeting announcements are published in Türkiye Ticaret Sicili Gazetesi, at the Central Registry Agency's electronic general assembly portal, and on the Company's corporate website within the statutorily prescribed periods of time. All shareholders are given convenient access to these announcements. Additionally, a general assembly meeting information document containing detailed information about agenda items that are to be discussed at the meeting is also published on the Company's corporate website at www.migroskurumsal.com, on the electronic General Meeting System (e-GEM) and e-Company portal.

General assembly meetings are held physically at the Company's headquarters (Atatürk Mahallesi, Turgut Özal Bulvarı No: 7, 34758 Ataşehir, İstanbul) and are simultaneously conducted electronically through the electronic general assembly system. General assembly meetings are open to all stakeholders and are attended by media representatives.

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

The Company's donation policy is disclosed to shareholders by means of a general assembly meeting information document that is made available before general assembly meetings at the Company's headquarters, on its corporate website at www.migroskurumsal.com, and at the electronic general assembly portal. A separate item concerning charitable donations provided to foundations and associations is included in general assembly meeting agendas and shareholders are provided with information about them.

#### Annual General Assembly Meeting

The annual general assembly meeting at which Migros's 2014 activities and accounts were examined took place on 9 April 2015 at 12:00 at the Company's head office building located at the address of Atatürk Mahallesi, Turgut Özal Bulvarı No: 7, 34758 Ataşehir, İstanbul for the convenience of those attending and it was also simultaneously conducted electronically through the CRA's e-GEM. The meeting was observed by ministry representative Rahmi Yüce, who had been charged with this duty by the Ministry of Customs and Trade İstanbul Directorate letter 7128217 dated 7 April 2015.

The 2014 balance sheet and income statement, the Board of Directors annual report, the independent auditors' report, and proposal for the distribution of the year's dividends were made available for the examination of shareholders at the Company's headquarters, on its corporate website at www.migroskurumsal.com, and at the electronic general assembly portal during the three weeks preceding the meeting.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

An examination of the attendants list showed that 14,932,950,146.8 shares out of a possible 17,803,000,000 corresponding to TL 149,329,501.468 of the Company's TL 178,030,000 in capital were represented at the meeting.

Immediately after the meeting, its minutes and attendants list were reported to the Public Disclosure Platform and were also published under the "Information about general assembly meetings" heading of its corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com) and at the e-company portal. Additionally, the general assembly meeting's minutes were also announced in issue 8806 of Türkiye Ticaret Sicili Gazetesi on 22 April 2015. Prior to the meeting, no shareholders submitted any proposals for items to be included in the meeting's agenda.

Shareholders at the Company's annual general assembly meeting were informed about the donations and assistance provided by the Company during the year. The Company made donations totaling TL 333,945.97 consisting of TL 189,000 to the Marmaris Municipality, TL 50,000 to Koç University, and TL 94,945.97 to other associations and foundations.

In 2014 no company shareholder with a controlling stake, nor any board member, nor any manager with administrative responsibilities nor any spouse or relative (whether by blood or marriage unto the second degree) of any of these has engaged in any transaction with the Company or with any of its subsidiaries or affiliates that might be deemed to involve a conflict of interest; nor did any of them perform, on their own behalf or on behalf of another, any transaction of a business nature falling within the Company's own

or its subsidiaries' or affiliates' object and scope; nor did they act as a partner with unlimited liability in another company engaged in the same kind of business.

### 2.4 Voting Rights and Minority Rights

As is stipulated in Migros' articles of association, there are no special voting rights at the Company. All votes are of equal weight. Every shareholder at a general assembly meeting is entitled to cast as many votes as the number of shares that they hold. There are no shareholders with cross-shareholding interests. The articles of association provide for no special privileges and/or similar rights with respect to representation on the Board of Directors. Four of the twelve members of the Board of Directors are independent members.

The Company avoids engaging in any and all manner of practices that might obstruct the exercise of shareholders' voting rights.

Those who are entitled to cast votes at general assembly meetings may exercise those rights personally and they may also designate a proxy, who may or may not be a shareholder themselves, to do so on their behalf. A specimen of the proxy statement for shareholders not personally attending a meeting is posted at the Company's headquarters, on its corporate website ([www.migroskurumsal.com](http://www.migroskurumsal.com)), and at the CRA's e-GEM portal and is also published in the Türkiye Ticaret Sicili Gazetesi along with the general assembly meeting summons.

Voting on agenda items at general assembly meetings is by an open show of hands by shareholders who are physically present; electronic voting is provided for shareholders who are attending meetings

in an electronic environment. Once voting has been completed, the results of physically cast and electronically cast votes are consolidated in the e-GEM.

### 2.5 Dividend Rights

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 assembly 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.

### Dividend Policy

Taking the Company's long-term strategies, investments, financing plans, and profitability as well as compliance with CMB communiqués and regulations into account, the Board of Directors may submit, for the approval of the general assembly, a proposal that a portion—such as may be determined by the board—of current-year profit be paid out as cash, or as bonus shares, or as a specific mix of these two or else that it be retained within the Company.

When a general assembly decides to distribute profits it may itself determine when the dividends are to be paid and similarly it may also authorize the Board of Directors to make such a determination. In all cases, the payment of dividends must begin no later than the end of the fiscal year in which was held the general assembly meeting at which the decision to pay them was taken. Matters related to dividend payments specified in the Capital Markets Law and in CMB communiqués must also be complied with.

There are no shares in the Company that are entitled to special dividend rights; neither is there anyone who is entitled to a share of company profits who is not a shareholder.

This is the Company's policy for the next three years. Any changes to this policy will also be shared with the public separately.

At an annual general assembly meeting of Migros held on 09 April 2015, it was announced that the Company's consolidated financial statements for 2014, which were drawn up in accordance with the CMB requirements, showed a net profit for the period of TL 98,506,629.20. It was informed that it was proposed against distributing profit for this year for the purposes of further strengthening the Company's existing balance sheet structure and enabling healthier management of the coming years' cash flows; that the profit for the period is planned to be put to use towards covering the Company's operating capital requirements and towards financing the new investment activities to be undertaken. The General Assembly passed resolutions to that effect.

## 2.6 Transfer of Shares

The Company's articles of association contain no provisions restricting the transfer of its shares. According to the charter, a general assembly may decide to issue shares at a nominally determined value.

Transfers of the Company's shares are subject to the provisions of the Turkish Commercial Code and of capital market laws and regulations.

Subject to the satisfaction of specific conditions, the Company may acquire its own shares and accept them as collateral.

On 13 November 2014, MH Perakendecilik ve Ticaret A.Ş. ("MH"), a shareholder of the Company, informed our Company that it has transferred its shares in the Company's capital with a total nominal value of TL 27,371,000 at a price of TL 26 per share to Moonlight Capital S.A., the sole and principal shareholder of MH.

The shareholding structure of Migros after this transaction is presented below:

### Capital Structure

Shareholder	Share Ratio (%)	Share Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	65.13	115,952,336
Moonlight Capital S.A.	15.37	27,371,000
Other	19.49	34,706,664
Total	100.00	178,030,000

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

On 31 December 2014, MH, one of the Company's shareholders, notified to the Company that it has transferred the shares it held in the Company's capital with a total nominal value of TL 26,937,336 to Moonlight, the sole and principal shareholder of MH, for a per share price of TL 26 for the purpose of intragroup restructuring of the shareholding interests of MH and Moonlight in the Company.

As a result of this transaction, the shareholding structure of Migros as at 31 December 2014 and 31 December 2015 is presented below:

### Capital Structure

Shareholder	Share Ratio (%)	Share Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Moonlight Capital S.A.	30.51	54,308,336
Other	19.49	34,706,664
Total	100.00	178,030,000

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As stated in the Company's material event disclosure dated 15 July 2015, disposal of the shares representing 80.5% of MH Perakendecilik ve Ticaret A.Ş. ("MH") that holds 50% of our Company's shares by Moonlight Capital S.A. ("Moonlight") to Anadolu Endüstri Holding A.Ş. ("AEH") took place on the same date.

As a result of this transaction, total interest Moonlight holds, directly and indirectly, in the Company's capital decreased to 40.25% as of 15 July 2015, and AEH's indirect shareholding in the Company's capital corresponded to 40.25%.

Moonlight notified that it has collected TL 1,061,957,852 and EUR 297,041,599 in total from AEH for the disposal of 80.50% of MH shares that correspond to 40.25% shares in the Company.

Indirectly, the said sales price per Migros share with a nominal value of TL 1 corresponded to TL 26.86 based on the Central Bank of the Republic of Turkey EUR/TL FX buying rate, which is the benchmark rate, determined at 15:30 hours on 14 July 2015.

Nonetheless, Moonlight Capital has "the right to sell" and AEH has "the right to buy" 19.5% of the shares in Moonlight Capital held by MH Perakendecilik 24 months after the share transfer, but in any case by no later than the end of the 30th month thereafter.

As stated in the Company's material event disclosure dated 27 January 2016, Moonlight, one of the shareholders in the Company, notified to our Company that it has transferred the shares it holds in the Company's capital with a total nominal value of TL 26,937,336, including all the rights, obligations and encumbrances thereto, to Kenan Investments S.A., which owns all of the shares in Moonlight, within the frame of intragroup share transfer for a price of TL 26.00 per share. With this transaction, the shareholding interest of Moonlight in the capital of our Company is 15.37% as at the date of the share transfer, and the shareholding interest of Kenan Investments S.A. in the Company's capital exceeded the 15% limit and became 15.13% as at the date of the share transfer.

The shareholding structure of Migros as at 27 January 2016 following these transactions is presented below:

### Capital Structure

Shareholder	Share Ratio (%)	Share Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Moonlight Capital S.A.	15.37	27,371,000
Kenan Investments S.A.	15.13	26,937,336
Other	19.49	34,706,664
Total	100.00	178,030,000

## PART III: PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1 The corporate website and its content

The Company's corporate website is located at [www.migroskurumsal.com](http://www.migroskurumsal.com). It has been serving shareholders and all other interested parties since its launch in 1997.

Any and all manner of information and announcements that might have an impact on the exercise of shareholders' rights is made available to shareholders on an up-to-date basis via the corporate website. The website addresses all of the matters set forth in Corporate Governance Principles.

The content of the corporate website ([www.migroskurumsal.com](http://www.migroskurumsal.com)) was enriched during the reporting period. There is also a separate website for each of the Company's store formats and these websites are available for our shareholders to use. Our corporate website contains the following sections and their associated sub-sections:

- About Us
- Our Brands & Stores
- Corporate Social Responsibility
- Migros Quality
- Investor Relations
- Migros Career

Besides addressing the matters set forth in section 2.1 ("Corporate Website") of CMB Corporate Governance Communique II-17.1, the Migros corporate website also contains information about many other subjects.

The Investor Relations section of our corporate website covers topics such as "Sustainability", "Migros Corporate", "Financial Reports", "The Increase of

Company Capital and Distribution of Dividends", "Information on General Assembly Meetings of Shareholders", "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 stakeholders.

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

In addition, the Company's "Privacy and Data Security Policy" has been added to our corporate website during 2015. The Policy is intended to clarify the types of data we collect, the reasons and methods of data collection, the purposes such data are used for, and the steps taken to ensure their security.

### 3.2 Annual Report

The annual report is prepared in such a way as to contain all of the matters specified in the Turkish Commercial Code, in "Regulations concerning the determination of minimum content in companies' annual reports" (published in issue 28395 of Official Gazette on 28 August 2012), and in the corporate governance principles set forth in the appendix to CMB Corporate Governance Communique II-17.1. As so required, the Board of Directors has an annual report prepared that provides the public with complete and truthful information about the Company's activities.

The following information is provided under the "Board of Directors" heading of the corporate governance principles compliance report section of the annual report: statements pertaining to information about members of the Board of Directors, to duties that executives undertake outside the Company, and to the independence of independent members; information pertaining to committees set up within the Board of Directors that includes their working principles, members, frequency of meetings, and performance along with the board's assessments of the committees' effectiveness; information pertaining to the number of Board of Directors meetings held during the year and members' attendance at them.

The corporate governance principles compliance report also contains, in appropriate sections, information about: changes in the legal framework that may significantly affect the Company's activities; significant lawsuits filed against the Company and their potential consequences; conflicts of interest between the Company and those from which it obtains investment advisory, rating, and similar services along with measures taken by the Company to preclude such conflicts; cross-shareholding interests that involve more than a 5% capital stake; information about corporate social responsibility issues including employee rights, professional/occupational training, and other company activities that have social and/or environmental consequences.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART IV: STAKEHOLDERS

#### 4.1 Informing Stakeholders

Migros corporate governance practices ensure that stakeholders' rights as embodied in laws and regulations and in its contractual agreements are duly safeguarded. The Company keeps stakeholders informed about issues that may be of concern to them through a variety of communication channels including, but not limited to, its corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com). Company employees, shareholders, and other individuals and entities with which the Company has a shareholding and/or business relationship may submit suggestions and complaints about such issues directly to company executives. All such submissions are considered and responded to as circumstances required.

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.

Stakeholders are provided with clear and explicit information about the Corporate Governance Committee, the Audit Committee, and the members of both so that they may contact these committees directly in order to report any violations of laws and regulations by the Company and any involvement by the Company in dealings that may be unethical.

The Company 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

11. 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 are obliged to refrain from endangering the health and safety of themselves and of other employees who are affected by their actions and their jobs in line with the occupational health and safety training they received and with the employer's relevant instructions.
5. Migros employees are obliged to operate the machinery, equipment, devices, tools, dangerous materials, transportation equipment and other production machinery in the workplace in accordance with their respective guidelines, to properly use protective equipment, not to remove and change such protective equipment arbitrarily, and to cooperate with the employer and employee representatives to assure occupational health and safety in his/her respective job area, in accordance with the employer-provided training and instructions.
6. 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.
7. 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.
8. 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.

9. 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 other third parties outside the Company. Our Company is against any and all sorts of behavior that will tarnish its employees' reputation and honor, or that constitutes infringement of its employees' personal and employment rights; and any and all sorts of harassment (psychological harassment, mobbing, sexual harassment) that disturbs physical, psychological and social health and negatively affects the working life of our employees and our Company, and aims to develop and maintain a fair and respectful working environment for all employees.

Migros employees are obliged not to endanger the health and safety of themselves and of other employees who are affected by their actions and their jobs in line with the occupational health and safety training they received and with the employer's relevant instructions.

#### General responsibilities

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

#### 4.2 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 of 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.

#### 4.3 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.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Information about company employees' job descriptions and accountabilities and about performance and reward criteria is provided for employees' information through the Migros Human Resources Portal.

### Our Principles

#### Strategic Use of Human Resources:

88 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 in all of domestic and overseas units of Migros. 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, including those at all of its subsidiaries, 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 at Migros's domestic and overseas subsidiaries 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.

Assemblies are also conducted as necessary to inform and discuss with employees issues of concern to them such as the Company's financial standing, compensation, career paths, training, and health.

#### 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.

Our employees who have completed one working year with our Company receive indemnity payment in cases set out by the law, and necessary financial provisions are set aside for this purpose, which are publicly disclosed in our financial statements.

**4.4 Code of Ethics and Social Responsibility**

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 Migros Code of Ethics may be accessed from the Company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

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).

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Within the framework of its ethical guidelines, Migros defines its responsibilities to society as follows.

1. Migros strives to satisfy the service quality standards that its customers expect of it.
2. Migros seeks to fulfill its tax and other legally prescribed obligations in a complete and timely manner and to conduct itself in an exemplary manner in the public eye.
3. Migros makes no statements that could be deemed to be condescending, sarcastic or offensive concerning other companies or organizations, goods, or individuals.
4. Migros takes pains in the conduct of its activities to protect the natural environment, to avoid harm to the historical heritage, and to act in keeping with customs, habits, and traditions. Migros complies with the requirements of law on all such issues.
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 sixty years, 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.

Detailed information about the Company's social responsibility activities is provided in appropriate sections of the annual report.

## PART V: BOARD OF DIRECTORS

### 5.1 Structure and Composition of the Board of Directors

All of the members of the Migros Board of Directors possess the qualifications required of them in article 4.3 of CMB Corporate Governance Communiqué II-17.1. All of them are professionals distinguished by virtue of their exemplary business knowledge, experience, and background.

The Migros Board of Directors consists of twelve members, all of whom are elected by shareholders at a general assembly meeting. The board's membership consists of non-executive board members. Among the board members are independent members who have the ability to act with absolute impartiality in the conduct of their duties

According to article 4.3.4 of CMB Corporate Governance Communiqué II-17.1, the number of independent board members must not be fewer than one-third of a board's total membership. When determining how many independent board members a board must have, fractions are rounded up to the nearest whole number but in no case may the number of independent board members be fewer than two. In compliance with this rule, four of the twelve members of the Migros Board of Directors are independent members.

Under the articles of association, board members serve for three-year terms at most unless a shorter term of office is specified at the general assembly meeting at which they are elected. A board member whose term of office expires may be reelected. Shareholders assembled in a general assembly meeting may, for just cause and at any time that they deem such action to be necessary,

dismiss any board member whether or not such an item is on the meeting agenda.

The Corporate Governance Committee, which performs the duties of a nomination committee at Migros, has created a pool of prospective independent board members during 2015.

There are no binding rules governing board members undertaking duties outside the Company. Any duties that they do perform however are indicated in their CVs.

While women members served on the Board of Directors in previous years, there are no woman members on the current Board of Directors. The Corporate Governance Committee has made a recommendation to the Board of Directors that, in the years ahead, the Board be formed so as to include woman members again. As a matter of principle there are no barriers to or limitations on women serving as members of the Board of Directors except that the number of female board members must not be fewer than 25% of the total membership. All members of the board—male and female—are considered and evaluated entirely on the basis of their professional and sectoral experience and their academic qualifications.

As stated in the Company's material event disclosure of 15 July 2015 published on the Public Disclosure Platform (KAP), Tuncay Özilhan, Mehmet Hurşit Zorlu, Salih Metin Ecevit and Can Çaka were appointed to fill the seats vacated by the resignations of Board of Directors members Giovanni Maria Cavallini (Term of Office: 09 April 2015 - 15 July 2015), Marco Castelli (Term of Office: 09 April 2015 - 15 July 2015), Ömer Özgür Tort (Term of Office: 09 April 2015 - 15 July 2015) and Evren Rıfki Ünver (Term of Office: 09 April 2015 - 15 July 2015). Based on the distribution of duties among the Board of Directors members, Fevzi Bülent Özaydınlı serves as the Chairman of the Board and Tuncay Özilhan and Nikolaos Stathopoulos as Vice-Chairmen.

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 Bülent Özaydınlı

Born in 1949, F. Bülent 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. Bülent 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.

## Board of Directors

	Position	Effective Date	Term of Office
Fevzi Bülent Özaydınlı	Chairman (Non-executive)	09.04.2015	3 Years
Tuncay Özilhan	Vice-Chairman (Non-executive)	15.07.2015	3 Years
Nikolaos Stathopoulos	Vice-Chairman (Non-executive)	09.04.2015	3 Years
Stefano Ferraresi	Member (Non-executive)	09.04.2015	3 Years
Khalid Hilal Hamood Al Yahmadi	Member (Non-executive)	09.04.2015	3 Years
Mehmet Hurşit Zorlu	Member (Non-executive)	15.07.2015	3 Years
Salih Metin Ecevit	Member (Non-executive)	15.07.2015	3 Years
Can Çaka	Member (Non-executive)	15.07.2015	3 Years
Jacob Cornelio Adriano de Jonge	Independent Member (Non-executive)	09.04.2015	3 Years
Tayfun Bayazıt	Independent Member (Non-executive)	09.04.2015	3 Years
Hakkı Hasan Yılmaz	Independent Member (Non-executive)	09.04.2015	3 Years
Aziz Bulgu	Independent Member (Non-executive)	09.04.2015	3 Years

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

### External positions held

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

### Tuncay Özilhan

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Born in 1947 in Kayseri, Tuncay Özilhan graduated from Saint Joseph High School in İstanbul, and İstanbul University, Faculty of Economics, before obtaining his MBA from the Long Island University, USA. He started his career as the General Manager of Erciyas Biraçılık in 1977. Mr. Özilhan became the Beer Group Coordinator and then General Coordinator at Anadolu Endüstri Holding, before finally being appointed as Anadolu Group Executive Chairman in 1984. Mr. Özilhan rose to the position of Chairman of the Board of Directors of the Group in May 2007, in which post currently serves. In tandem, he sits as the Chairman on the boards of directors of Anadolu Foundation and various Anadolu Group Companies.

### Outside positions held

After serving as the Chairman of TÜSİAD (Turkish Industry and Business Association) from 2001 to 2003, he currently functions as the Vice President of TÜSİAD High Advisory Council, Member of the Board of Directors at DEİK (Foreign Economic Relations Board), Chairman of the Turkish-Russian Business Council of DEİK, Estonian Honorary Consul in İstanbul, and President of the Anadolu Efes Sports Club.

### Nikolaos Stathopoulos

Nikolaos Stathopoulos is a Managing Partner and a member of the Investment Committee at BC Partners, which he joined in 2005. He has over 17 years of experience in private equity having led a variety of private equity investments globally. Mr. Stathopoulos serves as the chairman of the boards of directors of OVS SpA, Gruppo Coin and Mergermarket Group, and board member at Com Hem and Migros.

Before joining BC Partners, Mr. Stathopoulos was a Partner at Apax Partners in London where he spent seven years working on large buy-out transactions. Prior to Apax, he worked as a management consultant with the Boston Consulting Group in London. Mr. Stathopoulos holds an MBA from Harvard Business School and a degree in business administration from the Athens University of Economics and Business.

### Outside positions held

He is a member of the Harvard Business School European Leadership Board, Athens University of Economics and Business Advisory Council, Impetus Private Equity Foundation Board of Trustees and a fellow of the Royal Society of Arts. He is also the Chairman of BC Partners Foundation.

### Stefano Ferraresi

Born in 1972, Stefano Ferraresi received his undergraduate degree in business administration from Bocconi University in Italy.

Having started his business life at Barclay's Capital, Mr. Ferraresi worked in the Finance Department at Merrill Lynch London office from 2000 to 2002. Having joined BC Partners in 2002, he has been a member of the Board of Directors at Migros since May 2008.

### Outside positions held

Stefano Ferraresi serves as a member of the Board of Directors at OVS SpA.

### Khalid Hilal Hamood Al Yahmadi

Born in 1980 in Oman, Khalid Hilal Hamood Al Yahmadi serves as the CEO of Muscat National Development and Investment Company (S.A.O.C). He has been a member of the Board of Directors at Migros since 09 April 2015.

### Mehmet Hürşit Zorlu

Born in 1959, Mehmet Hürşit Zorlu received a degree from İstanbul University, Faculty of Economics. After holding various positions at Toz Metal and Turkish Airlines, Mr. Zorlu joined Efes Beverage Group under Anadolu Group as a marketing specialist in 1984. Throughout his career with Efes Beverage Group, he functioned as Marketing Supervisor, Assistant Project Development Manager, Project Development Manager and Business Development & Investor Relations Director. Mr. Zorlu then served as Financial Affairs and Investor Relations Director at Efes Beverage Group from 2000 to 2008, and Chief Financial Officer of Anadolu Group from 2008 to 2013.

### Outside positions held

Appointed as Anadolu Group Deputy CEO in January 2013, Mr. Zorlu holds seats as a member on the boards of directors of various Anadolu Group companies. He also serves as a member of the board of directors in associations including TÜYİD (Turkish Investor Relations Society) and TEİD (Ethics and Reputation Society). Mr. Zorlu is also the Chairman of the Corporate Governance Association of Turkey.

### Salih Metin Ecevit

Born in 1946, Salih Metin Ecevit graduated from the Faculty of Political Sciences in 1967 and received his master's degree in economics from the Syracuse University in 1976. From 1967 to 1980, he worked as a Government Auditor and served as Deputy General Manager of General Directorate of Revenues at the Ministry of Finance.

Mr. Ecevit joined Anadolu Group in 1980 and worked in various roles, serving as General Manager, Managing Director, and Chairman of the Board of Directors in automotive companies of the Anadolu Group. He retired in 2006, while he was serving as the Automotive Group President, as per the retirement age limit regulations of the Group.

### Outside positions held

He served as Board Member and Chairman of the Association of Imported Car Distributors in Turkey from 1992 to 2004. He is a board member in many Anadolu Group companies and serves as the Chairman of the Board of Directors at Yazıcılar Holding.

### Can Çaka

Can Çaka received a BSc in electrical and electronics engineering from the Faculty of Engineering at the Middle East Technical University and his master's degree from the Administrative Sciences Department of the same university. He started his career as a business analyst and systems engineer at Texas Instruments Software Ltd. in 1994. He joined Anadolu Efes in 1997 as a Finance Specialist. Between 1997 and 2005, he worked in various positions such

as Finance and Administrative Affairs Manager at the Efes Ukraine Brewery, Strategy and Business Development Manager at Efes Beer Group, and as Strategy and Business Development Director at Efes Beer Group between May 2005 and March 2008. Having served as Financial Affairs and Investor Relations Director of Anadolu Efes since April 2008, Mr. Çaka was appointed to the position of Chief Financial Officer (CFO) of Anadolu Endüstri Holding (Anadolu Group) in January 2013, a post he currently holds.

### Independent Board Members

#### Jacob Cornelio Adriano de Jonge

Born in 1953 in Sao Paulo, Brazil, Jacob Cornelio Adriano de Jonge received a degree in philosophy from the United States International University of San Diego, USA. He began his career at Makro Brazil in 1977, and worked for SHV Makro for 23 years in various positions (CEO of Makro Venezuela, Korea, Thailand). With SHV Makro, he served as CEO of Makro Asia.

Having worked with Walmart for two years, de Jonge joined Maxeda, as CEO of De Bijenkorf from 2007 until 2012. Maxeda was the largest non-food retailer in the Benelux, taken off the stock exchange by KKR, Permira, Cinven & Alpinvest.

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.

### Outside positions held

After serving as the CEO of V&D BV, Jacob Cornelio Adriano de Jonge serves as a member of the Audit Committee of the same company.

### Tayfun Bayazit

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

Having started his career at Citibank in 1983, Bayazit assumed Executive Vice President and Senior Executive Vice President positions at Yapı Kredi Bank from 1986 until 1995. He was President and CEO at Interbank from 1995 to 1996, and at Banque de Commerce et de Placements from 1996 to 1999. Having served as Vice Chairman at Doğan Holding from 1999 until 2001, Bayazit was later appointed as CEO and Board member at Dışbank (2001-2005), Fortis Bank (2005-2007), and Yapı Kredi Bank (2007-2009), where he consequently served as Chairman from 2009 to 2011. He has been working as a consultant since 2011.

Tayfun Bayazit 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 and/or its related parties.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### Outside positions held

Tayfun Bayazıt is the founding partner of Bayazıt Consultancy Services. He is an independent member on the boards of directors of Doğan Şirketler Grubu Holding A.Ş., TAV Havalimanları Holding A.Ş., Boyner Perakende ve Tekstil Yatırımları A.Ş. and Boyner Büyük Mağazacılık A.Ş. He is also a board member at SAF REIT. Chairman of MB Advisory Kurumsal Danışmanlık Hizmetleri A.Ş. (subsidiary of Mediobanca), Primist Gayrimenkul Geliştirme ve Yatırım A.Ş. and Taaleri Portföy Yönetimi A.Ş., he serves as the Country Corporate Officer at Marsh & McLennan Group, Turkey. Mr. Bayazıt also holds seats on the boards of directors of Marsh Sigorta ve Reasürans Brokerliği A.Ş., Marsh Italia SpA, Beşiktaş Gayrimenkul Geliştirme San. ve Tic. Ltd. Şti., Bomonti Gayrimenkul Pazarlama İnşaat ve San. Tic. A.Ş. and Embarq, Turkey (non-governmental organization), and he is on the advisory board of Taaleritehdas Asset Management Ltd., Finland. He is also a faculty member at Koç University.

### 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 as an industrial engineer 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 Turkey between 1984 until 1995, acting as brand manager, marketing manager, sales manager and was assigned as chairman/CEO of Lever A.Ş. in 1991. He left the company while serving in the position of Regional Leader responsible for East Asia detergent business located at London Unilever Head Office. He served as the Chairman and CEO of Uzay Gıda (Pepsi Foods/Frito Lay) from 1995 to 1996. He was called back as the Chairman and CEO of all nine entities in Turkey, in which Unilever was the majority shareholder, from 1996 to 2000.

He started lecturing at Koç University as faculty member in 2000. In 2002, he joined Koç Holding as President of Food, Retailing and Tourism, responsible for more than 20 companies, one of which was Migros. He was a member of the Board of Directors of Migros from April 2002 until April 2006. He acted as the CEO of Hürriyet Gazetecilik ve Matbaacılık A.Ş. between 2010 and 2012 and he was a board member of this company between 2008 and 2013. In 2013, he was appointed as the CEO of Fenerbahçe Sports Club and Fenerbahçe Futbol A.Ş.

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.

### Outside positions held

Hakkı Hasan Yılmaz holds a seat on the advisory board of Mudo A.Ş. He is also a faculty member at Koç University.

### Aziz Bulgu

Born in İstanbul in 1950, Aziz Bulgu received his degree in economics from İstanbul University and his MBA in International Business (English) from the İstanbul University School of Business. He began his career in 1975 in the Marketing Department of Migros. After having worked in various positions at Migros, he was appointed to the position of General Manager of Ramenka LLC, the Company's subsidiary in Russia.

He returned to Turkey in 2000 as the Assistant General Manager of Marketing of Migros. After approximately 4 years in this position, he was appointed as General Manager of Migros in 2004. In 2007 he retired from Migros. Aziz Bulgu is still a member of the Consultancy Committee of the Federation of Shopping Centers and Retailers. In addition, he was a member of the board of directors of the international GS1 organization as the committee member representing Turkey in GS1 on behalf of the Union of Chambers and Commodity Exchanges of Turkey (TOBB). Mr. Bulgu actively worked in the Turkish retail sector for 32 years and still remains a part of projects giving direction to the sector.

Aziz Bulgu 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.

**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 assembly meeting for the year 2014 to be held on 9 April 2015, 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 second degree, have, within the most recent five years, entered into any employment relationship in an administrative capacity involving significant duties and responsibilities, owned more than 5% of the capital or voting rights or privileged shares either jointly or individually, or have established a significant commercial relation with the Company, or with corporations over which the Company holds management control or significant influence or with shareholders who hold management control over the Company or have significant influence over the Company, or with legal entities controlled by these shareholders,
- b) That within the most recent five years, I have not been a shareholder (5% and more), not worked in an administrative capacity undertaking significant duties and responsibilities or not served as a member of the board of directors in any company, particularly companies involved in the Company's auditing (including tax audit, statutory audit, internal audit), rating, or consulting functions that the Company purchases or sells a substantial amount of goods or services within the framework of the contracts executed, during the period of such sale or purchase,
- c) 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;
- d) 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;
- e) That I am a resident of Turkey as defined in the Income Tax Law;
- f) 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;
- g) 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
- h) I have not served as a member on the Company's board of directors for more than six years within the last ten years,
- i) I have not served as an independent board member in more than three companies over which the Company or the controlling shareholders of the Company hold management control and in more than five listed companies in total.



Jacob Cornelio Adriano de Jonge



Tayfun Bayazit



Hakkı Hasan Yılmaz



Aziz Bulgu

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 5.2 Operating Principles of the Board of Directors

As specified in corporate governance principles, the Board of Directors conducts its activities in line with the corporate governance principles of transparency, accountability, fairness, and responsibility. Taking the opinions of its internal committees into account, the Board of Directors devises internal control systems that incorporate risk management and information mechanisms and processes capable of minimizing the adverse impact of risks that might affect company stakeholders. The effectiveness of risk management and internal control systems is reviewed at least once a year. Information about the functionality and effectiveness of the internal control system is provided in the annual report.

As required by CMB Corporate Governance Communique II-17.1, the Board of Directors plays a proactive role in ensuring effective communication between the Company and its stakeholders and in addressing and resolving any disputes that may arise. To accomplish this, it cooperates closely with the Corporate Governance Committee and with the Investor Relations Department.

During 2015 the Migros Board of Directors passed thirty resolutions on a variety of subjects. Majority of the full membership were present at every meeting in which these decisions were taken and the decisions were passed by a majority of those in attendance. Under the articles of association, invitations to board meetings may be sent out by the chairman (or his deputy) at least three days in advance of the meeting date by means of fax, letter, or email. These

invitations indicate the meeting date, time, place, and agenda. Whenever the board is convened, it may agree upon a schedule for the regular conduct of meetings during the year.

A secretariat is charged with organizing and conducting meeting-related matters both before and after meetings are held. This secretariat is also responsible for the regular maintenance of meeting-related records, for making entries in the Board of Directors Book of Resolutions, and for making this register accessible to board members for their inspection. 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 2015. Any questions that 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 quorums 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 Migros Board of Directors is entitled to one vote. No members have been granted weighted voting or veto rights.

Members of the Migros Board of Directors are covered by insurance against the risk that the Company may

suffer a loss on account of misjudgment and errors in the performance of their duties. Liability insurance policies in the amount of USD 50 million have been taken out on board members and senior executives in 2015.

Members of the Board of Directors are not allowed to vote in the issue of acquitting board members of their fiduciary responsibilities at general assembly meetings.

### 5.3 Number, Structure, and Independence of Committees Established within the Board of Directors

An audit committee, a corporate governance committee and an early detection of risk committee have been set up both in compliance with the requirements of CMB Corporate Governance Communique II-17.1 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.

Under CMB Corporate Governance Communique II-17.1, all audit committee members and the heads of other committees must be selected from among a board's independent members. Care is taken to avoid having any single board member serving on more than one committee. However because the heads of the three committees must be independent board members and because all of the members of an audit

committee must also be independent board members, the members of the Migros Audit Committee necessarily serve on more than one committee. No executive board member or general manager may serve on these committees.

The activities of the board's Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee for 2015 have been reviewed and assessed by the board. It was ascertained that in the conduct of their operations these committees had been mindful of the requirements of laws and regulations and that their activities had a beneficial impact on the Company's practices.

#### a. Audit Committee

At a meeting of the Board of Directors held on 15 July 2015, it was decided that the Audit Committee should consist of two independent board members and that Hakkı Hasan Yılmaz and Jacob Cornelio Adriano de Jonge were elected to fill these seats. In compliance with CMB regulations, Hakkı Hasan Yılmaz was chosen to serve as committee chairman.

Besides auditing the Company's accounting system and its publicly disclosed financial statements, the Audit Committee also oversees the operation and effectiveness of independent auditing and of the Company's internal control and internal audit systems. As required by Corporate Governance Principles, the selection of independent auditors, the preparation of independent auditing contracts and the initiation of independent auditing processes, and every stage of the activities of the independent auditors are subject to the oversight of the Audit Committee.

The Audit Committee determines methods and criteria that are to be applicable when examining and finalizing any complaints the Company receives about its accounting and internal control system or its independent auditing and when company personnel are given access to confidential reports about in-house accounting and independent auditing matters.

Every year, the Audit Committee submits its proposal for the designation of the Company's independent audit firm for the fiscal year from 1 January until 31 December.

Prior to the public disclosure of annual and interim financial statements and having consulted and obtained the opinions of the Company officers concerned and of the independent auditors, the Audit Committee provides the Board of Directors with a written declaration concerning its own assessment of the statements' compatibility with respect to the Company's approved accounting principles and of their truthfulness and accuracy.

The Audit Committee convenes at least four times a year. The results of these meetings are set down in minutes that are submitted to the Board of Directors along with any decisions that are taken. Information about the Audit Committee's operations and meeting results is included in the Company's annual report.

The Audit Committee immediately notifies the Board of Directors in writing of any findings it makes concerning its duties and areas of responsibility and of its assessments and recommendations concerning such matters.

#### b. Corporate Governance Committee

The Migros Board of Directors has set up a corporate governance committee to oversee corporate governance practices at the Company and to coordinate the activities of the Investor Relations Department. At its meeting on 9 October 2012, the board decided to elect Jacob Cornelio Adriano de Jonge, Nikolaos, Stathopoulos, and Mehmet Hurşit Zorlu and Can Çaka as the members of the Corporate Governance Committee. In compliance with CMB regulations, the board also decided to appoint Jacob Cornelio Adriano de Jonge to head the committee.

It was decided that the Corporate Governance Committee should also fulfill the duties of both a nominating committee and a remuneration committee as is allowed by CMB Corporate Governance Communique II-17.1. Accordingly and in the fulfillment of its duties as a nominating committee, the Corporate Governance Committee is responsible for creating a transparent system capable of identifying, vetting, and training suitable candidates to fill seats on the Board of Directors and to undertake management positions that have administrative responsibilities and to develop policies and strategies for dealing with such issues. The Corporate Governance Committee also makes regular assessments of the structure and efficiency of the Board of Directors and submits to the board its recommendations for possible changes in such matters.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In the fulfillment of its duties as a remuneration committee, the Corporate Governance Committee determines and oversees principles, criteria, and practices which are to be used in the remuneration of members of the Board of Directors and of managers with administrative responsibilities and which take the Company's long-term goals into account. The committee submits to the Board of Directors its recommendations concerning the remuneration that is to be paid to members of the Board of Directors and to managers with administrative responsibilities subject to the degree to which the recipients have satisfied remuneration-related criteria.

As defined by the Board of Directors in accordance with the same communicate and other pertinent laws, regulations, and administrative provisions, the principal activities of this committee consist of determining whether or not corporate governance principles are being complied with and, if they are not being complied with, of identifying the reasons why and also any conflicts of interest arising from less than full compliance; of making recommendations to the Board of Directors to improve corporate governance practices; and of overseeing the activities of the Investor Relations Department. The goal of these efforts is to continuously improve the Company's corporate governance practices. The committee consists of four members and meets four times a year.

### c. Early Detection of Risk Committee

At a meeting of the Board of Directors held on 15 July 2015, it was decided to elect Tayfun Bayazit, Jacob Cornelio Adriano de Jonge, Salih Metin Ecevit, Mehmet Hurşit Zorlu, 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, Tayfun Bayazit was designated as the committee's head.

As defined by the Board of Directors in accordance with the Turkish Commercial Code and capital market laws and regulations, the activities of the Early Detection of Risk Committee consist of identifying, at an early stage, risks that might endanger the Company's existence, well-being, and continuity; of taking measures needed to deal with such risks; and of managing risk. The Early Detection of Risk Committee performs a review of risk management systems at least once a year. The committee convenes six times a year.

### 5.4 Risk Management and Internal Control Mechanisms

In 2015, the Company started a new initiative for readdressing the Enterprise Risk Management activities based on a holistic perspective and for restructuring the enterprise risk processes. Within this context, the Company started receiving consultancy service from Marsh Insurance and Reinsurance Brokerage company in order to evaluate existing risk management and to manage risks more effectively.

Enterprise Risk Management restructuring process entails the main headings of:

- Defining risk criteria,
- Creation of risk assessment (impact and likelihood) scales,
- Preparation of consolidated risk inventory,

- Development of necessary action plans for mitigating and/or eliminating the risks in question,
- Description of the targeted risk management framework, and
- Integration of established aspects within the Enterprise Risk Management system.

In the conduct and performance of its financial and operational reviews, the Internal Audit Department adheres to the following principles.

- 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 fundamental duties of the Internal Audit Department consist, among other things, of investigating/ examining 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; performing follow-up reviews in situations where more detailed investigations and examinations are necessary.

Any irregularities that may be discovered during the course of review activities are investigated in detail with the aim of allowing measures to be taken as necessary while recommendations are also made concerning what action should be taken to deal with any losses which the Company is ascertained to have suffered. In all of these efforts, altering processes in such a way as to prevent recurrences of similar incidents is an issue of fundamental concern.

In line with risk analyses and the year's internal control plan, in 2015 the Internal Audit Department conducted financial and operational reviews of various departments and processes. Assessments and recommendations based on review results are submitted to company senior management along with the reports in which matters where improvements may be made in keeping with the philosophy of continuous development are also pointed out. Besides financial and operational reviews, the Internal Audit Department also conducts follow-up reviews on issues about which senior management was previously informed and it was agreed that measures needed to be taken.

### 5.5 Mission, Vision and Strategic Goals of the Company

The Company's 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.

The Company's mission is to play a leading role in improving the quality of life at home and abroad with a business

structure that is as innovative and productive as it is customer-focused, trusted, and mindful of people, the community, and the environment; to generate long-term, satisfying returns for its employees, business partners, and shareholders; to maintain its sectoral leadership in growth and operational profitability.

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.

Members are kept informed by means of annual meetings at which the most recent five-year plan is presented to the Board of Directors, by annual budget and review meetings, and by monthly

meetings at which the Company's business results are presented and the board's feedback is solicited. Detailed monthly reports are also submitted to the board for its information. In this way, all of the members of the Board of Directors are able to track the Company's ongoing efforts to fulfill its targets and to immediately intervene and provide guidance when necessary.

### 5.6 Financial Rights Provided to Board Members and to Managers with Administrative Responsibilities

The financial rights to be provided to members of the Board of Directors are discussed as a separate agenda item at general assembly meetings. At the Migros extraordinary general assembly meeting held on 9 April 2015, it was decided to pay independent board members an attendance fee of TL 20,000 (gross) for each board meeting that they attend and not to pay a monthly fee or honorarium to the other members. The remuneration of independent board members involves neither company stock options nor company performance-based compensation plans. All of the benefits provided to senior executives are declared in the footnotes to the financial statements. The Group has identified its senior executives as the chairman and members of the board of directors, general manager and assistant general managers.

The Remuneration Policy applicable to members of the Board of Directors and senior executives was submitted for the attention of shareholders at the annual general assembly meeting of 9 April 2015, and published on the corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 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 manager and assistant general managers.

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

(TL thousand)	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Short-term benefits provided to employees	14,284	12,445
Total	14,284	12,445

<sup>100</sup> The benefits provided to senior executives consist of salaries, bonuses, pension contributions, company-leased automobiles, and employer’s share of social security premiums.

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.

### OTHER ISSUES

Recent changes in both the Turkish Commercial Code and the Capital Markets Law will contribute to the growth and development of capital markets. During 2015 many changes were made in capital market laws and regulations and a substantial number of government communiques and regulations were published.

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 footnote 15 of the consolidated financial statements. The Company is not a party to any mutual cross-shareholding.

Other issues related to corporate governance principles are presented below.

#### a) Company Disclosure Policy

Material events are publicly disclosed in a truthful and timely manner as prescribed by CMB Communique II-15.1 concerning such matters. In addition, any and all manner of significant information that might influence shareholders’ and other stakeholders’ decisions is also publicly disclosed. In the public disclosure of such information, the following channels are used depending on the nature and particulars of the announcement:

- Material event disclosures sent to the Public Disclosure Platform,
- Financial reports sent to the Public Disclosure Platform,
- Annual and interim reports,
- The corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com),

- Informational and presentation documents published for stakeholders,
- Prospectuses, circulars, notices and other documentation issued pursuant to capital market laws and regulations,
- Printed and visual media press releases,
- Notices and announcements published in Türkiye Ticaret Sicili Gazetesi and in daily newspapers.

In order to ensure that shareholders and other stakeholders have convenient access to public disclosures such as presentations, press releases, and press conferences, such materials are also published on the Company’s corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com). Information publicly disclosed through the Public Disclosure Platform is also sent to financial data providers and to printed and visual media.

Statements about issues that may have an impact on the Company’s future prospects are also publicly disclosed through the channels indicated above depending on their nature and as required by laws and regulations.

The identities of individuals who may have access to confidential company information before the public disclosure of material events are publicly disclosed. The names of the Company's board members and senior executives are published in the annual report along with that of the independent auditors. Information about any changes taking place in the Company's senior management during the reporting period was provided in the annual report.

In situations where CMB regulations require a public announcement concerning news, statements, and/or rumors about the Company which appear in the press, in other media, or on websites and of which the Company becomes aware, such disclosures are made, depending on the nature, through Public Disclosure Platform announcements, data providers, and/or written and visual media; similarly and in order to ensure that shareholders and other stakeholders have convenient access to such disclosures they are also published on the Company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

The Migros Disclosure Policy is formulated by the Board of Directors and updated as circumstances and regulations dictate. This policy is presented to shareholders convened in a general assembly and then published on the Company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com). The Investor Relations Department strives to respond to questions that shareholders ask the Company truthfully, completely, equitably, and within the framework of this disclosure policy.

The Migros Disclosure Policy requires that any and all manner of information must be provided upon request unless such information is in the nature of a trade secret or, if divulged, would give other individuals or organizations a competitive advantage over Migros or would have an adverse impact on the Company's activities.

Like its public disclosure policy, the Migros Dividend Policy is also formulated by the Board of Directors and publicly disclosed by being included in the Company's annual report, published on the Company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com), and presented to shareholders convened in a general assembly.

When identifying individuals who will have administrative responsibility at the Company, the requirements and criteria stipulated in the Turkish Commercial Code (Statute 6102), the Capital Markets Law (Statute 6362), CMB communiques, and other applicable laws, regulations, and administrative provisions are taken into account.

#### **b) Material Event Disclosures**

During 2015 the Company submitted 43 material event disclosures to the Public Disclosure Platform. Whenever the Public Disclosure Platform demanded further information about such announcements or the Company's response to news appearing in the media, the Company responded to such requests urgently.

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.

After every public disclosure of the Company's quarterly financial statements in 2015, presentations and bulletins concerning them were published on the Company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com) to inform shareholders. The same information was simultaneously communicated to the Public Disclosure Platform.

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.

**CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT****c) Disclosure of Ultimate Controlling Individual(s) Shareholder(s)**

The shareholding structure of Migros is presented below.

**Shareholder Structure**

Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Moonlight Capital S.A.	15.37	27,371,000
Kenan Investments S.A.	15.13	26,937,336
Other	19.49	34,706,664
<b>Total</b>	<b>100.00</b>	<b>178,030,000</b>

**102 Legal and Real Persons Indirectly Holding an Interest in the Capital as per the Latest Situation**

Shareholder	Amount (TL)	Share (%)
BC Partners	57,077,984,77	32.06
S. Kamil Yazıcı	16,630,674,63	9.34
DeA Capital	12,260,889,28	6.89
Tülay Aksoy	8,598,981,09	4.83
Tuncay Özlhan	8,404,291,18	4.72
Heirs to İzzet Özlhan	5,732,654,76	3.22
Turkish Private Equity Fund II	2,322,793,95	1.30
S. Vehbi Yazıcı	2,279,013,99	1.28
Anadolu Endüstri Holding A.Ş. Other	30,016,052,35	16.86
<b>Total</b>	<b>143,323,336,00</b>	<b>80.51</b>

There are no preferred 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 2015 annual report.

Under Material Events Communique II-15.1, material event disclosures must be made by any company chairman, board member, general manager, or assistant general managers, by any individual with significant decision-making responsibilities and authorities, by any shareholder who directly or indirectly controls more than 5% of the Company's capital or voting rights, and by anyone acting in concert with any of these whenever they purchase or sell shares in Migros. No such dealings of this nature occurred during the reporting period.

Names of the members of the Board of Directors and 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.

#### d) Public Disclosure of Individuals Who Are In a Position to Access Inside Information

Names of the members of the Board of Directors and 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.

##### Board of Directors

Fevzi Bülent Özaydınlı	Chairman
Tuncay Özilhan	Vice-Chairman
Nikolaos Stathopoulos	Vice-Chairman
Stefano Ferraresi	Member
Khalid Hilal Hamood Al Yahmadi	Member
Mehmet Hurşit Zorlu	Member
Salih Metin Ecevit	Member
Can Çaka	Member
Jacob Cornelio Adriano de Jonge	Independent Member
Tayfun Bayazıt	Independent Member
Hakkı Hasan Yılmaz	Independent Member
Aziz Bulgu	Independent Member
Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
Demir Aytaç	Assistant General Manager
Cem Lütü Rodoslu	Assistant General Manager
Hakan Şevki Tuncer	Assistant General Manager
Tarık Karlıdağ	Assistant General Manager
Mustafa Murat Bartın	Assistant General Manager

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As a consequence of its auditing functions, the Company's independent auditors Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) also has access to insider information.

The Board of Directors consists of twelve members: Fevzi Bülent Özaydınlı (chairman), Tuncay Özilhan and Nikolaos Stathopoulos (vice-chairman), Stefano Ferraresi, Khalid Hilal Hamood Al Yahmadi, Mehmet Hurşit Zorlu, Salih Metin Ecevit, Can Çaka, Jacob Cornelio Adriano de Jonge, Tayfun Bayazıt, Hakkı Hasan Yılmaz and Aziz Bulgu.

Detailed information about the members of the Migros Board of Directors is provided in the relevant section of the annual report.

##### e) Silent Period

The Chief Executive Officer, Chief Financial Officer, Finance Director, Corporate Communications Director, Investor Relations Group Head, and the Chairman and members of the Board of Directors and other Company executives designated by the Corporate Governance Committee are assigned to act as spokespeople to represent our Company in all contacts with shareholders, investors, brokerage analysts and other stakeholders through any communication channel, including the printed press, within the frame of the Company's disclosure policy.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Individuals designated as Company spokespeople are obliged to abide by the Silent Period practice, which starts one week before the disclosure of quarterly financial results and lasts until the date of such disclosure.

The beginning and ending dates of the Silent Period practice are published on the corporate website, under the heading Financial Calendar once the disclosure dates of financial statements are fixed. The disclosure dates of financial results and the corresponding Silent Periods are fixed before financial statements are disclosed, and announced by way of the Financial Calendar.

During the course of the Silent Period, Company spokespeople may not make comments regarding the Company's financial position, except for the information publicly disclosed in the name of the Company. In this period, analysts', investors' and similar individuals' questions about the financial position are left unanswered. Yet, people authorized to make public disclosures about the Company may participate in conferences, panels and similar events and deliver speeches during the Silent Period, strictly provided that they observe the confidentiality of inside information.

### f) BIST Sustainability Index of Borsa İstanbul

Being one of the 15 companies included in the BIST Sustainability Index and the only retail company in the index in the November 2014 - October 2015 period, Migros continues to take place in the index in the November 2015 - October 2016 period, which includes 29 companies in this period. The Company's sustainability activities can be reached under the Investor Relations tab in the corporate website.

### g) 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 2014 survey, 4,052 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 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.
- Migros selects each of its suppliers after conducting appropriate due diligence. Suppliers are audited by reputable independent organizations and products are subjected to periodic quality audits.
- In November 2014, the perspective of the Company's integrated quality management system was expanded with the inclusion of ISO 10002 Customer Satisfaction Management System certification.
- Since the day it was founded, Migros has striven to surpass its customers' expectations and to respond immediately to their requests. ISO 10002 certification is evidence of the Company's commitment to the principle of customer satisfaction. The system makes improvements in service quality possible based on internal and external customer feedback.
- Migros obtained OHSAS 18001 Occupational Health and Safety Management System certification in July 2015 and thus became the first food retailer holding four certificates granted by the TSE (Turkish Standards Institution) within the scope of Quality Management Systems.
- Migros has espoused "Good Agricultural Practices" expressed by the motto "GOOD AGRICULTURE = GOOD FUTURE", which is one of the Company's social responsibility initiatives in the area of "health", and an agricultural model that is designed to be socially viable, economically productive, while protecting human, animal and environmental health.
- On 17 November 2009, Migros became the first retailer in Turkey to be awarded GAP group certification. The Company has continued to abide by GAP principles and its certification has been renewed every year since then.
- Having made internationally recognized food safety standards the touchstone of its practices and operations, Migros has adopted the mission of supplying wholesome products under safe conditions in order to guarantee the unreserved confidence of its customers. In line with this goal, food products are carefully and constantly monitored and controlled from initial procurement until they reach the consumer.
- Under Migros' Supplier Performance System, the production premises of all food suppliers are systematically inspected and monitored through food safety management systems. Products are randomly sampled and subjected to quality control analyses at regular intervals.
- Every new product to be put on sale at the Company's stores undergoes preliminary quality control performed by quality experts.
- Before they enter the Company's warehouses, goods received from suppliers are subjected to detailed organoleptic, chemical, and physical analysis based on 104 quality control parameters defined for each product by quality control experts. Goods that do not meet these stringent quality standards are rejected.
- Cold chain assurance, one of the most essential criteria in achieving food safety, is constantly monitored online at every stage from distribution center and storage, during shipment, and until it reaches the final consumer.
- Every food product that is put on Migros' shelves is randomly sampled and subjected to quality control analyses at regular intervals by accredited independent laboratories to ensure compliance with the Turkish Food Codex and with applicable laws, regulations, and administrative provisions.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Non-food imported products such as toys, stationery, textiles etc. are subjected to strict controls. Prior to their importation, the Company has these goods analyzed at accredited independent laboratories to ensure that they are safe and contain no harmful substances such as phthalate plasticizers or azo compounds.
- Migros-labeled food and non-food items are subjected to even stricter controls. Such goods are not put on sale until and unless their places of production, labeling, and other applicable parameters have been checked and their compliance with laws and regulations has been established. Even after they appear on the shelves, Migros reviews product safety by means of analyses performed at regular intervals.
- Products on shelves are regularly checked by a team of store quality specialists. During such checks, attention is given not just to cold chain continuity, labeling, and expiration dates but also to compliance with food safety system requirements.
- Personnel employed at all the stores attend training programs on hygiene in order to ensure quality safety.
- The Company's stores are subjected to unannounced inspections performed by accredited independent agencies within the scope of integrated quality management systems, so as to ensure the safety of products sold to customers.

- 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 being a technological leader and making life easier through innovations, Migros has in place "self-checkout" solution "Jet kasa" in a large number of its stores. Customers who prefer to use "Jet kasa" avoid waiting in line and can 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.

### h) Authorities and Responsibilities of Board Members and Managers

The duties and authorities of board members and managers are explicitly defined in the Company's articles of association, which may be found on the Company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

The Migros Board of Directors is empowered to take decisions on all matters pertaining to whatever kinds of business and/or transactions are necessary for the Company to achieve its object and scope save for those that are exclusively reserved to the general assembly of shareholders by laws and regulations or by the Company's charter.

Managers' authorities and responsibilities are defined in their power of signature statements.

### I) Prohibition on Doing Business with or Competing against the Company

No member engaged in any business transaction involving the Company or took part in any activity that could be deemed to be in competition with the Company.

CONVENIENCE TRANSLATION INTO ENGLISH OF  
**INDEPENDENT AUDITOR'S REPORT**  
 ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH



To the Board of Directors of Migros Ticaret A.Ş.

**Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards**

1. We have audited the annual report of Migros Ticaret A.Ş. ("the Company") and its subsidiaries (collectively referred to as "the Group") for the period ended 31 December 2014.

**Board of Directors' responsibility for the Annual Report**

2. The Group's management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with the Article 514 of the Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board ("CMB") "Communiqué Serial II No: 14.1 "Principles of Financial Reporting in Capital Markets" ("the Communiqué"), and for such internal control as management determines is necessary to enable the preparation of the annual report.

**Independent Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to the Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 1 March 2016 and presented fairly..

Our independent audit was conducted in accordance with Independent Auditing Standards that are a part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgment of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit are sufficient and appropriate to provide a basis for our opinion.

**Opinion**

4. Based on our opinion, the financial information in the annual report of the Board of Directors of Migros Ticaret A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material respects..

**Other Responsibilities Arising from Regulatory Requirements**

5. Pursuant to subparagraph 3 of the Article 402 of the TCC, No.6102, within the context of ISA 570 "Going Concerns", we have not encountered any significant issue which we are required to be reported with regard to the inability of Migros Ticaret A.Ş. to continue its operations for the foreseeable future.

Başaran Nas Bağımsız Denetim ve  
 Serbest Muhasebeci Mali Müşavirlik A.Ş.  
 a member of  
 PricewaterhouseCoopers

Burak Özpoyraz, SMMM  
 Partner

İstanbul, 1 March 2016

MİGROS TİCARET A.Ş.

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