

Corporate Governance Principles Compliance Report

1. Declaration of Compliance with Corporate Governance Principles

Migros Türk T.A.Ş., as a matter of principle, adheres to Corporate Governance Principles that were adopted by the Capital Markets Board of Turkey (CMB) Resolution No. 35/835 dated July 4, 2003 and disseminated to the public in July 2003. Migros is aware of the benefits that the implementation of these principles will bring to the company, its stakeholders and ultimately the country. Deficiencies in implementation are reviewed with a view to continuous improvement and efforts are under way to fix these shortcomings in order for Migros to be an exemplary role model.

In 2006, Migros merged with Tansaş Perakende Mağazacılık T.A.Ş. when it took over the assets and liabilities of Tansaş as a whole in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the Turkish Commercial Code and Articles 37-39 of the Corporate Tax Law. In addition to the completion of the legal process regarding the merger of Migros with Tansaş, the corporate cultures of the two companies were merged and harmonized. Within the scope of this integration, Migros Integrated Human Resources systems were implemented to include all of the employees of the newly created company. Along with the merger, process documentations were rapidly revised that adapted to the changing and developing organizational structure. Corporate Governance Practices and Corporate Culture, Migros Business Ethics Code and the Human Resources Policies pertain to 12,000 employees, including Tansaş employees, now under the Migros umbrella. The company believes that the Migros-Tansaş integration will benefit the country, customers, shareholders, employees and all other stakeholders.

The main principles of Corporate Governance adopted by the company are:

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

During the year, business processes regarding intra-company reporting and business conduct were improved and made more effective. The developments and improvements performed within the scope of the company's Corporate Governance Practices during the year are presented in the relevant sections of the Corporate Governance Principles Compliance Report.

In an effort to inform the shareholders, the company renewed its corporate website in 2005 and enriched its substance and content during 2006, thereby allowing the shareholders to have better information about the company. Furthermore, in order to better inform foreign and domestic investors and all other interested parties about Migros in general and to assist the analysis of quarterly financial reports, investor presentations on financial results in Turkish and in English were prepared and posted for public viewing in September 2006 on the Internet. The company's Corporate Governance Principles Compliance Report can be accessed at the corporate website (www.migros.com.tr) in the Investor Relations section, in addition to the annual report.

PART I: SHAREHOLDERS

2. Investor Relations – Shareholder Relations Department

As a matter of corporate policy, Migros attaches great importance to relationships with shareholders. A unit that reports to the Assistant General Manager for Finance was created to respond to the shareholders' requests for information about the company. The department manages the processes related to the Company's General Assembly, capital increases and dividend payments. This department handles all demands and transactions of the shareholders regarding capital increases and dividend payments.

In addition, the department represents and acts as the contact center of the company in its relations with the Istanbul Stock Exchange (ISE), CMB, Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc). Among the department's other activities are keeping records of Board of Directors Meetings and, material disclosures to the ISE in compliance with the CMB communiqué VII: 39. Within the scope of the Public Disclosure Platform (KAP) of the CMB, these material disclosures and other announcements are also posted on the electronic environment using software developed by TÜBİTAK. Migros' Shareholder Relations Department monitors relevant legislation as well as CMB communiqués and informs the senior management about the subjects and issues requiring compliance.

The department also responds to the information requests about the company. Using all available means of communication (one-on-one meetings, conference participations, meetings, Internet, phone, investor bulletins, investor presentations, etc.), the department informs Migros shareholders and brokerage analysts about the company. The department is responsible for the preparation of the annual report as well as the coordination of Corporate Governance operations and activities. It identifies the areas that require enhancement and with a continuous improvement philosophy, supports the company's senior management to make Migros a role model in this region.

All shareholders requesting information about the company can submit their requests by sending e-mail to yatirimci@migros.com.tr. All other channels of communication are also available for the shareholders.

Assistant General Manager for Finance: Erkin Yılmaz
Address: Turgut Özal Bulvarı No: Ata 6 34758 Ataşehir Kadıköy / ISTANBUL
Telephone: (+90 216) 579-3000 (ext. 3214)
E-mail: erkiny@migros.com.tr

Investor Relations Manager: Dr. Affan Nomak
Telephone: (+90 216) 579 3000 (ext. 3142)
E-mail: affann@migros.com.tr

A structure has been set up that makes it possible for Migros shareholders, who have not used the new share coupons or dividend coupons on the shares of stock they own and have not yet exercised their bonus stock options and/or claimed their dividend entitlements, to perform these transactions quickly and securely. Pursuant to the relevant CMB communiqués, compliance with the transition to the registration system in stocks was performed; the company met all requirements on the subject. Yapı Kredi Securities Inc. on behalf of Migros is undertaking the registration transactions.

A total of 120 Migros shareholders who had not yet exercised their bonus stock options or claimed their dividend entitlements subsequently did so at the company's headquarters. Many individuals who requested information about current transactions were provided with the necessary information and referred to Yapı Kredi Bank branches to exercise their rights.

Shareholders who hold printed stock certificates and have not already received bonus shares issued by the company in previous years and/or exercised their dividend rights should apply directly to the company Head Office if the new share coupons on their certificates are numbered 11 or below.

If the 11th coupon on their certificates has been used but the 12th and 13th have not, shareholders may exchange these certificates and receive their bonus shares of stock at Yapı Kredi Bank Istanbul-Harbiye branch or at any other branch of Yapı Kredi Bank. Dividends for year 2000 and thereafter may also be collected by presenting dividend coupons to the Harbiye branch of Yapı Kredi Bank Istanbul- or any other branch of Yapı Kredi Bank.

In May 2006, in order to be able to distribute the company's TRY 20,655,000 (15%) dividend as bonus stock shares by adding it to the capital, the current TRY 137,700,000 issued capital was raised to TRY 158,355,000, which is within the company's TRY 190,000,000 maximum authorized capital; this increase was performed on a registered basis per the CMB communiqués.

Again within the company's maximum authorized capital of TRY 190,000,000 was the issued capital raised by TRY 17,911,866, up from TRY 158,355,000 to TRY 176,266,866 due to the Tansaş merger. This capital increase was realized on a registered basis by restricting the rights of the existing shareholders. Migros shares worth 0.15691991448112 were given to Tansaş shareholders for each Tansaş share they held. Tansaş ceased to exist as a company after the merger and Tansaş shares were delisted at the Istanbul Stock Exchange as of August 3, 2006, the first day of the share swap.

The Central Registry Agency (CRA) started on November 28, 2005 to carry out book-entry recording of the shares of stock for companies whose shares are traded on the stock exchange and to oversee these records.

Within this context, shareholders who hold printed stock certificates and would like to participate in the May 2006 capital increase need to visit Yapı Kredi Bank branches and have their certificates registered and converted into tradable stock status. The company will under no circumstance print physical shares in this and the ensuing capital increases. Tansaş shareholders who would like to swap their Tansaş shares for Migros shares can perform this transaction at the Yapı Kredi Bank branches as well.

3. Shareholders' Exercise Their Right to Obtain Information

Disclosure

The Investor Relations Department responds to all information requests about the company. During the reporting period, shareholders requested information about the current year's dividends in terms of amount and the manner and place of their payment, attendance in the Ordinary and Extraordinary General Assembly Meetings and how to exercise their rights arising from the company's capital increase. There were also information requests from the investors regarding the Tansaş merger and share swap transactions as a result of the merger. Announcements regarding all such processes and matters were made through material disclosures, as well as in newspapers ads and on the Migros corporate website. Over the course of the year, shareholders also requested information about the number of stores, net sales areas, the number of stores scheduled to open during the year, yearend sales targets, etc. The Investor Relations Department keeps Migros shareholders and brokerage analysts informed using all available communication means such as direct contacts, conferences, meetings, Internet, telephone, information bulletins, etc. In addition to its annual report, the company also endeavors to provide all investors with an equal opportunity to be informed about the company and provides general information about the company through its quarterly investor bulletin in which the most recent financial results are assessed. To better inform foreign and domestic investors and all other interested parties about Migros in general and to assist the analysis of quarterly financial reports, investor presentations of financial results in Turkish and in English have been prepared and posted for public viewing in September 2006 on the Internet. Like the company's annual report, these bulletins are available to the shareholders on the corporate website.

Auditing

According to the company's Articles of Association, three statutory auditors are to be elected "from among shareholders and/or from outside the company for up to three-year terms" by the General Assembly. In practice, Migros' statutory auditors are elected by the General Assembly every year.

In addition and as required by the Capital Markets External Independent Audit Regulations published by CMB, a firm is also appointed as the company's independent auditor every year by the General Assembly. For 2006, the General Assembly approved Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. as the independent auditor, which was selected by the Board of Directors and submitted for the General Assembly's approval.

In addition, the Migros Board of Directors has formed a two-person Audit Committee. Uğur Çatbaş and Oktay İrsidar were appointed to this committee to serve until the General Assembly meets to discuss the company's 2006 results.

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

4. Information About General Assembly

a) Annual Ordinary General Assembly Meeting

The Ordinary General Assembly Meeting for the year 2006 where the activities and accounts of Migros Türk Ticaret Anonim Şirketi for the year 2005 were examined was held at Divan Hotel located at Cumhuriyet Caddesi No. 2, Elmadağ, Şişli/Istanbul at 14:30 on April 12, 2006 under the supervision of İsmail Yıldız, a Ministry of Industry and Commerce observer appointed for the duty by letter 16166 dated April 11, 2006.

As per the law and the company's Articles of Association, announcement of the General Assembly Meeting and its agenda was made and published in issue 6515 dated March 17, 2006 of the Turkish Trade Registry Gazette. It was also announced in the March 21, 2006 national edition of the Radikal newspaper. In addition, the date and location of the General Assembly Meeting was made public to shareholders on the company's website.

To prevent traffic congestion in shareholder registrations, the announcement also asked that the shareholders who intended to take part in the meeting or send a proxy to represent them at the meeting where the agenda would be deliberated and decided upon obtain their meeting passes at least two days before the meeting date. In practice all requests for passes were honored even the day before the General Assembly. Shareholders who made their request on the General Assembly date were admitted to the meeting as observers. Passes continued to be handed out until the time at which the General Assembly was scheduled to start. Shareholders who wished to have themselves represented at the General Assembly by a proxy were instructed to have their proxy form prepared according to the form provided by the company and to have them duly notarized as specified in CMB communiqué IV: 8 published in the March 9, 1996 issue of the Official Gazette. The sample proxy form was posted on the company's website in addition to the newspaper announcements.

The company's 2005 balance sheet, income statement, Board of Directors' annual activity report, Statutory Auditors' and Independent Auditors' reports and the proposal on the distribution of the annual profit were made available to shareholders for their examination at the company's headquarters beginning on March 20, 2005.

According to the General Assembly's attendance roster, a total of 7,950,460,032.5 shares out of 13,770,000,000 for the company's total capital of TRY 137,700,000 were represented at the meeting, of which 7,947,589,495 shares corresponding to TRY 79,475,894.95 were present in person and 2,870,537.5 shares corresponding to TRY 28,705,375 were present by proxy. A number of media representatives also attended the meeting. During the meeting the presiding officer gave the floor to shareholders wishing to address the General Assembly and express their views and opinions about the company and its activities. Migros General Assembly Meetings are open to the participation of all stakeholders.

The General Assembly minutes and attendance roster were reported to the ISE the same day immediately after the meeting. In addition, the minutes of the General Assembly were published in issue 6538 of the Turkish Trade Registry Gazette dated April 19, 2006 and also sent to the shareholders via facsimile and e-mail upon request. The agendas, attendance rosters, proxy forms and minutes of the last five years' General Assembly meetings are available to the shareholders on the company's website.

b) Extraordinary General Assembly Meeting Regarding the Merger

The Extraordinary General Assembly Meeting where transfer of the authority to the Migros Board of Directors on the issue of the merger between Migros Türk T.A.Ş. and Tansaş Perakende Mağazacılık T.A.Ş. was discussed and approved, was held at Migros Türk Corporate Headquarters located at Turgut Özal Bulvarı No: Ata 6 34758 Ataşehir/ Istanbul at 11:00 on February 24, 2006 under the supervision of Fatma Yazıcı, a Ministry of Industry and Commerce observer appointed for the duty by letter 6357 dated February 23, 2006.

CMB communiqué I: 31 describes the procedures that need to be followed in the merger transactions when at least one of the parties is publicly traded. According to Article No. 4 of this communiqué, "although decisions of the Boards of Directors of the parties to the merger are sufficient to initiate the merger proceedings, the General Assemblies can also make decisions regarding the initiation of the merger proceedings and preparation of the merger agreement and conditions or transfer such authority to the Boards of Directors." Therefore, although there was no legal or CMB requirement, our Board of Directors asked for the authorization of the General Assembly out of its sense of ethics and initiated the merger negotiations only after the authorization was granted. Following the merger negotiations, another Extraordinary General Assembly Meeting was held for the approval of the merger and the merger agreement and General Assembly input was sought.

In this Extraordinary General Assembly Meeting related to the transfer of authority, the Board of Directors was authorized to undertake merger negotiations for Migros' takeover of the assets and liabilities of Tansaş Perakende Mağazacılık T.A.Ş. as a whole based on the non-consolidated financials as of December 31, 2005 and to execute the merger agreement to be submitted to the General Assembly for approval.

As per the law and the company's Articles of Association, announcement of the General Assembly Meeting and its agenda was punctually made and published in issue 6486 dated February 6, 2006 of the Turkish Trade Registry Gazette, on the company's website and in the February 9, 2006 national issues of Referans and Bugün newspapers.

According to the General Assembly's attendance roster, a total of 8,112,474,032.5 shares out of 13,770,000,000 shares for the company's total capital of TRY 137,700,000 were represented at the meeting, of which 8,109,603,595 shares corresponding to TRY 81,096,035.95 were present in person and 2,870,437.5 shares corresponding to TRY 28,704,375 were present in proxy.

The Extraordinary General Assembly Meeting regarding the merger between Migros Türk T.A.Ş. and Tansaş Perakende Mağazacılık T.A.Ş. was held at Migros Türk Corporate Headquarters located at Turgut Özal Bulvarı No: Ata 6 34758 Ataşehir/ Istanbul at 09:30 on June 26, 2006 under the supervision of Savaş Özer, a Ministry of Industry and Commerce observer appointed for the duty by letter 36086 dated June 23, 2006.

At the Extraordinary General Assembly Meeting, the shareholders approved the merger between the two companies via Migros' takeover of assets and liabilities of Tansaş as a whole as of December 31, 2005 in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the TCC and Articles 37-39 of the Corporate Tax Law. The shareholders also approved the non-consolidated solo financial statements as of December 31, 2005 that were used in the merger ratio.

As per the law and the company's Articles of Association, announcement of the General Assembly Meeting and its agenda was punctually made and published in issue 6563 dated May 25, 2006 of the Turkish Trade Registry Gazette and in the May 25, 2006 national issues of Radikal and Referans newspapers. Pursuant to the CMB communiqués, the announcement about the merger, including the merger agreement, was made and published 30 days before the General Assembly Meeting in the Turkish Trade Registry Gazette and the Radikal and Referans newspapers on the above mentioned date, as well as Migros and ISE websites.

According to the General Assembly's attendance roster, a total of 8,803,509,217 shares out of 15,835,500,000 shares for the company's total capital of TRY 158,355,000 were represented at the meeting, of which 8,800,208,214 shares corresponding to TRY 88,002,082.14 were present in person and 3,301,003 shares corresponding to TRY 33,010.03 were present in proxy.

Tansaş Perakende Mağazacılık A.Ş. Extraordinary General Assembly Meeting was held on February 27, 2006 and the transfer of authority for the merger to the Board of Directors was approved. The merger agreement and the dissolution of

Tansaş were approved by the shareholders in the June 26, 2006 Extraordinary General Assembly. The Extraordinary General Assembly Meetings of the privileged shareholders of Tansaş were also held on the same dates.

5. Voting Rights and Minority Rights

The company merged with Tansaş in 2006. Prior to its merger with Migros, Tansaş' Articles of Association contained privileges in Article 6 about the capital, Article 7 about the transfer of shares, Article 8 about company shares, Article 10 about the Board of Directors, Article 16 about the statutory auditors and their responsibilities, and Article 17 about the General Assembly. None of these privileges were carried into the Migros Articles of Association.

As stipulated in the Articles of Association, none of the company's shares have privileged voting rights. Every shareholder exercises one vote for each share of stock he holds at the General Assemblies and all votes are equal. There are no shareholders with cross shareholding interest.

6. Dividend Payment Policy and Timing

There are no privileges with respect to entitlements to the company's profit. Dividends are paid within the legally prescribed periods of time and the payment date is determined by the General Assembly.

Migros has successfully reported a net profit every year since it was first listed on the ISE in 1991. Similarly, the company has paid a dividend relentlessly over the last fifteen years in different percentages of its capital depending on the net profit. Dividends have always been paid in cash, except in 2005 when it was paid in bonus shares. Paying a dividend is a matter that Migros has always regarded as important from the standpoint of its shareholders' interests and our dividend payment policy reflects that principle. The crucial balance between the company's growth strategies and its dividend payment policy is managed conscientiously.

Based on the company's long-term strategies, investment and financing plans and profitability, dividends corresponding to at least to 20% of the attributable profit, computed in accordance with the CMB communiqués and regulations, can be distributed in cash or in the form of bonus shares of stock, or some combination of the two. This is the company's policy for the next three years. Any change in this policy will be made public.

According to the CMB communiqués XI: 25 and IV: 27, profit of a subsidiary, a joint venture or an affiliate is not included when calculating the attributable profit, unless their General Assemblies decided to distribute profit to the shareholders, even if this profit is reflected in the parent company's consolidated financial statements.

7. Transferring Shares

The company's Articles of Association contain no provisions restricting the transfer of shares. The Board of Directors is authorized to issue shares of stock priced above nominal value and to impose restrictions on existing shareholders' rights to acquire new shares.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The company's public disclosures are made in an accurate and timely manner pursuant to the CMB Communiqué VIII: 39 on Principles Governing Material Disclosures. In addition, public disclosures are also made on all important issues that might impact the decisions of shareholders as well as other stakeholders.

Whenever questions are directed to the company by shareholders, the Investor Relations Department makes every effort to respond to them accurately, completely and in the framework of principles of equality, in line with the company's public disclosure policy.

The public disclosure policy of Migros requires it to share any and all information upon demand as long as such information is not commercially sensitive and does not create a competitive advantage for third parties at the expense of Migros and adversely impact the operations of Migros within this context.

9. Material Disclosures

During 2006, the company made a total of 113 material disclosures, excluding announcements about Migros made by Takasbank, CRA and other publicly held companies, within the framework of CMB communiqué VIII: 39 on Principles Governing Material Disclosures. In cases where the ISE requested additional explanations relating to news that appeared in the press, the company urgently fulfilled these requests. Within the scope of the Public Disclosure Platform of the CMB, material disclosures and all other public announcements are made on the electronic platform as well.

10. Company Website and Its Content

Migros launched its website at www.migros.com.tr for its shareholders and customers in 1997. The corporate website was redesigned in 2005 in line with the increasing needs and its content was enriched in 2006. The Migros website contains sections entitled About Migros, Customer Relations, Migros Club, Campaigns, Stores, Migros Own-Label Goods, Investor Relations, Press Room, and Human Resources, plus various subsections under these main headings and many more issues including those stipulated in Article 1.11.5 of section II of CMB's Corporate Governance Principles.

11. Disclosure of Majority Controlling Real-Person Shareholders

The shareholding structure of Migros Türk T.A.Ş. is presented below.

Migros Türk T.A.Ş.		
Shareholder	% of Shares Held	Nominal Value of Shares Held (TRY)
Koç Holding A.Ş.	50.83	89,601,026
Publicly Traded	49.17	86,665,840
Total	100.00	176,266,866

There are no privileged shares.

The changes that occurred in the shareholding structure in 2006 are discussed in the relevant sections of the 2006 annual report.

Pursuant to the CMB communiqué VIII: 39, the company's chairman and the members of the Board of Directors, general manager and assistant general managers, other persons with significant authority and responsibilities in the partnership and partners indirectly owning more than 5% of the company's shares or parties acting together with such partners are required to make material disclosures when they buy or sell Migros shares.

12. Public Disclosure of Insiders

Names of the members of the company's Board of Directors, statutory auditors and of those in senior management as well as any changes that took place in senior management during the year are presented in the annual report.

Rahmi M. Koç	Chairman of the Board of Directors
K. Ömer Bozer	Vice Chairman of the Board of Directors
Semahat Sevim Arsel	Member of the Board of Directors
Dr. Nüsret Arsel	Member of the Board of Directors
M. Ömer Koç	Member of the Board of Directors
F. Bülend Özaydınlı	Member of the Board of Directors
Y. Ali Koç	Member of the Board of Directors
Uğur Çatbaş	Member of the Board of Directors
Oktay İrsidar	Member of the Board of Directors

Ali Yavuz	Statutory Auditor
Ahmet Sönmez	Statutory Auditor
Serkan Özyurt	Statutory Auditor

Aziz Bulgu	General Manager
A.Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
M.İhsan Ussel	Assistant General Manager
Demir Aytaç	Assistant General Manager
Ö. Özgür Tort	Assistant General Manager
Cem Rodoslu	Assistant General Manager

PART III: STAKEHOLDERS

13. Informing the Stakeholders

Corporate governance practices of Migros guarantee the rights to which stakeholders are entitled by laws, regulations and reciprocal agreements. The company's employees, shareholders, subsidiaries and the third-party individuals and entities with which the company has business relations can submit suggestions or report violations on such matters directly to the company's managers. Such direct submissions and reports are evaluated and responded to. Migros posts the names and contact information of department managers on its website, thus enabling stakeholders to directly contact

the manager in charge of a particular issue and direct their questions or concerns to the appropriate person first-hand. The objective of this structure is to form a more transparent and effective communication model between the company and the stakeholders.

Company stakeholders are kept informed of matters that are of interest to them. Potential investors who are considering buying the company's stock can request information by directly contacting the Investor Relations Department. The Migros Investor Relations Department responds to questions about the company by e-mail, phone or in-person meetings.

The portion of the Migros Business Ethics Code about the employees is presented in the Code of Ethics section, whereas the other principles are presented below.

Responsibilities of Migros toward other companies

- 1- Migros obeys the law in all of its activities.
- 2- Migros does not gain unfair benefit from any person or entity under any circumstance. Migros makes all of its goods and services procurement decisions based on pre-determined and publicly disclosed criteria.
- 3- It is important to Migros that its business partners refrain from tarnishing the image and reputation of Migros in their own business activities and that they give importance to Migros' proven business values.
- 4- Migros checks to ensure that the services it obtains on a continuous basis from other organizations are provided in compliance with the requirements of law; it takes necessary action accordingly.
- 5- Migros does not share confidential information it receives from companies that serve it to third parties without that company's permission.

Responsibilities of Migros toward the community

- 1- Migros strives to reach the standards that its customers expect.
- 2- Migros seeks to fully and promptly fulfill tax and other obligations and to set an example for the community.
- 3- Migros does not make derogatory, derisory or offensive statements concerning other companies, organizations, products or individuals.
- 4- Migros takes care in all of its activities to avoid causing harm to the natural and historical legacy and to behave in accordance with customs, mores and traditions; it complies with all the requirements of law on such matters.
- 5- Migros defends its business ethics in its sector and strives for adoption, expansion and acceptance of these principles.

Responsibilities of employees toward the company

- 1- Migros employees, as a matter of policy, reject any offers of material or moral benefit from third parties made to influence their conduct or activities falling within the area of their individual responsibility.
- 2- Migros employees inform their immediate supervisors when entering into a one-on-one business relationship with any company in which a close relative works, has a partnership interest or is the owner.
- 3- Migros employees exhibit maximum attention and care when fulfilling their duties and make every effort so that the work they perform is of higher quality, faster and more economical.
- 4- Migros employees refrain from any act or behavior that would damage the company's image and reputation. During working hours they remain within dress and behavior codes established by company management or are generally accepted.
- 5- Migros employees do not behave indifferently or unresponsively in situations that are against the company's interests and they notify the appropriate company units.
- 6- Migros employees avoid waste and use all of the company's fixtures, tools and equipment for the purposes for which they are intended. They do not use company resources and facilities for their own private benefit.
- 7- Migros employees do not divulge any confidential or private information outside the company that they become aware of as a consequence of their position or the work that they perform. They do not give interviews or make statements of any kind to any media organization without the consent of the company's management.

Responsibilities of employees toward employees

- 1- Migros employees do not share the private information about other company employees that they became aware of as a consequence of their jobs except where it is a requirement of their jobs.

General provisions

The Migros Business Ethics Committee set up within the company is responsible for dealing with and clarifying any issues that are not dealt with by the principles set forth above.

14. Stakeholders' Participation in Management

Article 7 of The Company's Responsibilities toward its Employees of the Migros Business Ethics Code states: "In matters that are related to employees, Migros seeks to include their opinions as much as possible in any decisions that are concerned with the company's future."

In line with this, Migros management exhibits all due sensitivity on the matter. As part of the company's business conduct, Migros employees are included in the decision-making process in their area of work. Migros employees have the opportunity to transmit their suggestions and demands to the company's senior management and the members of the Board of Directors either directly or on the electronic platform through the intranet.

15. Human Resources Policy

The Migros Human Resources Department aims to develop systems that will ensure the constant improvement, motivation and management of human resources to create competitive advantages in the execution of the company's strategies and to implement them in line with the company's corporate principles. As the late Vehbi Koç, once said so rhetorically: "Our most important capital is our people. The quality of our products and services begins with the quality of our employees. Attracting the best and most competent people and employing them in our company, taking maximum advantage of our people's abilities, strengths, and creativity, increasing their individual productivity, giving them opportunities to progress and creating a working environment in which cooperation and solidarity flourish is the way we have chosen to ensure that our company will survive generation after generation."

Our Principles

Strategic Importance of Human Resources

Human resource management at Migros focuses on the importance given to people by recognizing their strategic value; it creates awareness for human resources to be treated as a privileged factor. Human resource strategies are structured in order to create and develop a reliable, agile and proactive organizational structure so that Migros is able to maintain its leadership in the sector within a competitive environment. Employees are treated as a strategic resource out of the belief that their experience and creativity will be the driving force in the company's adaptation to changing competitive conditions and newly-penetrated markets while establishing leadership in them.

Superior Business Ethics and Honesty

In all relationships with employees, it is the company's fundamental principle to act fairly, in good faith and considerately; to abide by the laws and the rules of ethics.

Workplace Safety

Migros assures its employees that it will fulfill all of its obligations toward them within the framework of laws and regulations.

To enable employees to perform their jobs safely at Migros Türk T.A.Ş., the company complies not only with all of the requirements of the labor law and related laws, regulations and administrative provisions but also with sector standards concerning ergonomics and the improvement of the working environment. In the case of civil defense activities, which are of great importance to Turkey, theoretical and practical training is also provided in cooperation with the responsible public authorities.

Equality of Opportunity

In both Turkish and foreign subsidiaries, Migros provides service through employees who have tremendous diversity in terms of language, religion, race and nationality. All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles that are defined in detail. Through human resource evaluation systems it has developed, Migros monitors and assesses the competencies, skills and performances of its employees objectively within the framework of common principles. Based on evaluation results, Migros provides equal opportunity to its employees for training, career progression and development and compensation through the company's Integrated Human Resource systems.

Human Resources Representative Power

The management of human resources and employee relations are the duty of the Assistant General Manager responsible for Human Resources and Industrial Relations at Migros. Management of these resources in line with established human resource policies and principles is clearly defined in the company regulations and business ethics code.

Participation and Transparency

Managers and employees are inseparable elements of human resource practices at Migros. Employees are kept informed about their roles and responsibilities and provided with guidance in fulfilling those responsibilities.

Human resources policies and processes are continuously shared with employees by means of the company's communication resources (corporate intranet, e-mail, remote training and organized meetings). Employees have access to all of their evaluations and are able to obtain training and information.

Competitiveness

Migros plans and manages the professional development of its employees not only to keep them competitive within the company but also on all professional platforms so as to enable the creation of positive values for the economy, the environment and the community.

Commitment to Common Values

Common values constitute the foundation of the corporate culture. These values are:

- 1- Giving priority to customer satisfaction
- 2- Being contemporary and dynamic
- 3- Honesty and trustworthiness
- 4- Respect for the law and individual rights
- 5- Sensitivity toward society and environment
- 6- Desire to work as a team

Actions of employees that run counter to the company's common values are evaluated impartially through warning systems and according to the discipline committee procedures. Conducting relations with employees at Migros is the primary function of the company's Industrial Relations Department, consisting of an eleven member team. The objectives of this department are to ensure that all laws and regulations are fully complied with by the company, to oversee the rights of the employees arising from laws and contracts and to manage employee rights in such a way as to maintain labor peace and fulfill all legal obligations.

16. Relations with Customers and Suppliers

Underlying more than half a century of Migros' leadership in its sector is a dynamic corporate culture infused with experience and the ability to move ahead under changing conditions. Important elements of Migros' innovative style include a thorough familiarity with both customers and the market and the ability to keep abreast of developments. As a vanguard of change, Migros introduced a number of firsts in the sector, such as consumer rights as early as the 1960s. In 1998, Migros introduced the Migros Club system, designed to enable the company to become better acquainted with its customers and provide them with better service. In addition to its modern and contemporary supermarkets, Migros also enhances the ability of customers to reach it through alternative platforms tailored to their needs such as the Şok discount markets introduced in 1995 and the e-commerce platform Migros Virtual Market launched in 1997. As a result of the company's merger with Tansaş Perakende Mağazacılık T.A.Ş. in 2006, Tansaş and Macrocenter stores also joined the Migros family, expanding the way that Migros is able to meet customer expectations from a variety of formats.

In the 1990s, Migros was the first to introduce the barcode system and electronic cash registers that have dramatically reduced waiting time at the checkout as well as the company's operating costs. The same pioneering spirit led the company to set up a B2B system for its suppliers. By reducing operating and logistical costs while providing savings and gains for all sides, this system benefits all stakeholders and especially the customers.

Since 1994, Migros has utilized its Customer Satisfaction Survey to identify customer expectations in advance and has acted proactively to self-improve. With the addition of Tansaş stores to the portfolio, a Customer Satisfaction Survey was given to 7,500 customers for both stores. In addition, a Market and Competition Survey was conducted at Şok stores among 3,200 customers. Data from these surveys are analyzed to determine existing levels of customer satisfaction and to develop models to spot future trends in customer expectations. Occasional surveys conducted from kiosks inside the stores on specific issues give customers a chance to make themselves heard and express their expectations. The feedback from these activities helps the company understand customer expectations not just about the present, but about the future as well and to review and revise objectives.

Some other important activities undertaken to achieve customer satisfaction include the following:

- In August 2005, Migros was awarded the ISO 9001-2000 Quality Management System certification as an outcome of integrating its process analysis and process-based documentation and Quality Management System established in accordance with the ISO 9001:2000 standard.
- Migros Türk was certified in December 2006 for the ISO 22000 Food Security Management System by the Turkish Standards Institute (TSI) after detailed inspections. The scope of the certificate is retail, wholesale and online sales services, as well as design and provision of organizational and logistic support services. Tansaş and Macrocenter stores were added to the scope of the TSI ISO 9001-2000 certificate that had been previously awarded.
- The company's suppliers are meticulously selected and audited at regular intervals by the TÜBİTAK-MAM Food Science and Technology Research Institute, which also periodically conducts quality control analyses of the products. Migros-labeled products are included in the same quality control process.
- Every new product that is put up for sale at Migros goes through a preliminary quality control process.
- Before the products purchased from suppliers are admitted to Migros warehouses, food engineers subject them to sensory, chemical, physical and microbiological quality control tests; products that do not meet the quality standards are rejected.
- Products in Migros stores, warehouses and shelves are regularly checked by veterinarians to ensure food safety.
- Personnel employed in all Migros stores attend training programs about hygiene in order to ensure food safety.
- In the company's promotional program Aksiyon, products are offered for sale at discount prices for fifteen days thereby guaranteeing that there will be sufficient stock for the duration of the sale.
- All customer suggestions received at the stores or at the Contact Center are evaluated and the results are communicated to the 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 directed to the management at every level.

17. Social Responsibility

Migros' responsibilities toward the community are spelled out in Migros Code of Ethics:

- 1- Migros strives to reach the standards that its customers expect.
- 2- Migros seeks to fully and promptly fulfill its tax and all other obligations and to set an example for the community.
- 3- Migros does not make derogatory, derisory or offensive statements concerning other companies, organizations, products or individuals.
- 4- Migros takes care in all its activities to avoid causing harm to the natural and historical legacy and to behave in accordance with customs, mores and traditions; it complies with all the requirements of the law on such matters.
- 5- Migros defends its business ethics in its sector and strives for adoption, expansion and acceptance of these principles.

Migros believes that corporations are responsible for sustainable development of a contemporary way of life both in Turkey and abroad. Corporations should strive for improved standards of living and efficient use of limited resources similar to governments and non-governmental organizations and should be guided by national and international standards.

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

As a requirement of its attention to corporate social responsibility, Migros acts in compliance with laws, moral standards and human rights in all services that it offers to consumers, fulfilling the responsibilities incumbent upon it to combat the unregistered economy and contribute to employment by protecting legal employee rights. The company also shares its sense of social responsibility with its stakeholders - employees, suppliers, subsidiaries, investors and customers – as well as with the public at large. Great importance is given to supporting and encouraging pioneering value-creating practices on behalf of economic and social growth and development.

Migros' actions are guided by the awareness that a good reputation can be lost in a single moment. It adheres to ethics and honesty in everything it does knowing that trust cannot be gained easily, that it is a bond that grows and develops slowly over a long period of time between a company and its customers and once broken, cannot be mended through quick-fix concepts or by slogans. Since 1954, Migros has been safeguarding the health and rights of its customers; many innovative practices introduced by Migros encourage good shopping habits and foster consumer awareness. These practices subsequently became standards in the sector and some have even been embodied in the law.

As its point of departure, adopting the philosophy that quality is a search for perfection, Migros seeks to achieve the highest possible levels of customer satisfaction through control mechanisms set up to monitor quality at every stage - from procuring the goods sold on the shelves to their consumption by customers.

Migros has not been sued during 2006 for harming the environment.

Specific details of the company's activities within the scope of social responsibility are presented in the relevant sections of the Annual Report.

PART IV: BOARD OF DIRECTORS

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

Migros Board of Directors consists of nine members elected by the General Assembly.

Board of Directors

Rahmi M. Koç	Chairman
K. Ömer Bozer	Vice Chairman - Executive Member
Semahat Sevim Arsel	Member
Dr. Nüsret Arsel	Member
M. Ömer Koç	Member
F. Bülend Özaydınlı	Member
Y. Ali Koç	Member
Uğur Çatbaş	Member
Oktaay İrsidar	Member

According to the allocation of duties made among the members of the Board of Directors, Rahmi M. Koç serves as the chairman and K. Ömer Bozer serves as the vice chairman. Currently, K. Ömer Bozer is the Executive Member on the Board of Directors.

Changes during the year

Subsequent to the resignation of Board Member Cengiz Solakoğlu, the Board of Directors decided to appoint Ömer Mehmet Koç as the new Director at the September 8, 2006 Board meeting, to give him first degree signature and representation authority of Group A and to seek shareholder approval of this appointment at the first General Assembly Meeting.

19. Qualifications of Board Members

All members on the Board of Directors are in full compliance with the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of section IV of CMB's Corporate Governance Principles. Concurrently, they are also professionals whose knowledge, experience and educational backgrounds are exemplary both in the sector and in the business world.

20. Mission, Vision and Strategic Goals of the Company

The company's vision is to be as close to the consumer as possible by serving in different formats in modern retailing, utilizing a strategy that involves an extensive reach in Turkey and its neighboring countries as well as always keeping ahead of consumer expectations.

Migros' mission is to strengthen its leadership in the Turkish retailing sector and to become a strong and exemplary regional retail chain by ranking first or second in other countries in which it operates.

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

The company's senior management develops strategies to achieve these objectives in light of the vision defined by the Board of Directors. To this end, the basic strategy is to provide customers with high quality service that is contemporary, dependable and economical in line with traditional Koç values. Targets are set to achieve these strategies and these targets are made known to all organizational units and supported by business plans. The Corporate Performance Management System 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 oversight.

Board Members are informed of the progression and direction of the company's business via annual meetings where the updated long term five-year plan is presented and reviewed. The Members are also kept abreast of results at annual budget and review meetings and quarterly meetings where the latest quarter's results are presented and the Board's feedback is sought. Detailed monthly progress reports are prepared and submitted to the Board allowing them to monitor the company's efforts to achieve objectives and immediately intervene and provide guidance when necessary.

21. Risk Management and Internal Control Mechanisms

Migros' internal control system consists of two separate categories: financial control and operational control. Also incorporated into the system are all of the company's risk management control mechanisms.

The internal control system is designed to make it possible for decision-makers to effectively manage and control the programs, activities, functions and units for which they are responsible by providing reliable information about the system of which they are a part in independent, systematic and quantifiable ways.

Within this system, the following suggestions are given importance:

- Financial control
- Audit of customer-focused processes
- Calculation of effective and economical use of resources
- Identification of transactions that are neither effective nor economical
- Identification of practices that are inconsistent with company goals and objectives, as well as the solution.

Migros internal control system includes monitoring the effectiveness of the processes and practices within the company. The system aims to achieve the following goals, in addition to the scope mentioned above:

- Placement of customer experience at the center of the business strategy
- Determination of the relationship and the difference between the company's vision, mission and philosophy and the service that is being delivered
- Achievement of continuous improvements in service quality and customer satisfaction
- Analysis of employee behavior within the framework of the customer service cycle
- Determination of the added-value of improvements in service quality at every stage of the business processes

The Migros internal control system incorporates the systematic reviews that the internal control unit of its principal shareholder, Koç Holding A.Ş., makes at regular intervals during the year. These reviews also provide an opportunity for Migros to review its own internal control processes and make improvements in them.

A new Internal Audit Department was set up in 2005 that is responsible for continuously developing Migros' risk management and internal control mechanisms in parallel with the company's changing needs. It is also responsible for organizing all activities so that reports can be made to the Audit Committee and the Board of Directors. The department conducted audit activities at the stores, warehouse and head office throughout 2006. Utilizing the continuous improvement philosophy, areas that require improvement in its reports were brought to the attention of senior management. Plans of action created pursuant to these reports are contributing to more effective management of the business processes.

Within the scope of internal audit activities, spot audits were conducted at Migros and Şok stores before the merger with Tansaş, in the first half of 2006. The primary goal of these one day or shorter audits was to collect data for the risk weighting activities for internal audit planning. Following the Tansaş merger, store audits continued within the scope of the audit plan. A significant portion of the audit was achieved as a result of central audits to assess the effectiveness of the risk management and internal control structure. In this process, in the stores chosen by the sampling method, cash register counting and inventory results assessment activities were performed, as well as "store cash register balances" assessments that are important for cash management.

In conclusion, through both central audits and field work, the Internal Control Department continued its activities in an increasing pace in order to enhance the company's efficiency as well as to improve the effectiveness of the internal control structure.

22. Authorities and Responsibilities of Board Members and Executives

The duties and authorities of the Members of the Board of Directors are clearly stipulated in the company's Articles of Association, which can be accessed on the Migros corporate website at www.migros.com.tr.

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

23. Operating Principles of the Board of Directors

During 2006, the Board of Directors passed 39 resolutions on a variety of matters. At least six directors attended all of the meetings. Pre- and post-meeting activities are organized by a secretariat responsible for such matters. At these meetings, views are freely expressed and if there are dissenting votes against any decision, the reasons for dissent are entered into the minutes of the meeting. There were no dissenting opinions entered into the minutes of any Board meeting held in 2006. In addition, questions raised by Board Members at the meetings are entered into the meeting minutes along with responses given.

Each member of the Migros Board of Directors controls one vote. No member has a preferential voting right or a veto right.

24. Prohibition of Doing Business with the Company and Non-Compete Clause

Migros has a leasehold relationship in two stores with its Board Chairman Rahmi Koç and with Board Member Ali Koç. During the reporting period, Board members were involved in no other business transactions with the company and none were involved in any competition with the company.

25. Code of Ethics

The principle business ethics of Migros are grouped under the following main headings:

- Responsibilities of the company toward its employees
- Responsibilities of employees toward the company
- Responsibilities of the company toward other companies
- Responsibilities of the company toward society
- General responsibilities.

The company's responsibilities toward its employees are summarized in the main outline below. Information about the other categories of its business ethics principles are presented in other sections of this Corporate Governance Compliance Report.

The company regards its employees as one of the greatest assets it possesses in today's difficult market conditions. One of the company's greatest competitive advantages is its business expertise and qualities that employees have and are continuously improving upon.

Responsibilities of Migros toward its employees

- 1- Migros completely fulfills all of its legal obligations toward all employees. In situations where the requirements of law are not sufficiently clear, Migros consults those who have specialized knowledge on the matter.
- 2- Migros protects employee rights within the framework of its business ethics rules in situations where the laws are insufficient.
- 3- In all hirings, promotions and appointments, the only criteria to be taken into account are the qualifications for the position. Migros obeys the equal opportunity principle among its employees.
- 4- Migros is not 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 provides training opportunities for its employees, helping them to improve professionally and personally.
- 6- In its dealings with employees, Migros does not discriminate in any way on the basis of sex, age, ethnic origin or faith.
- 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 company's future.
- 8- Migros provides healthy and safe working conditions as dictated by the requirements of law and seeks to improve them to the utmost.
- 9- Migros holds in strict confidentiality and does not divulge any private information (such as medical records, shopping habits, economic circumstances, etc.) about its employees that it may receive through any means.

26. Numbers, Structures and Independence of Board Committees

Migros Board of Directors has formed a two-person Audit Committee. Uğur Çatbaş and Oktay Irsidar were appointed as members to serve until the General Assembly at which the company's 2006 results were to be discussed. The Audit Committee convenes four times a year.

27. Remuneration of the Board of Directors

At the General Assembly Meeting for year 2005 convened on April 12, 2006, the General Assembly decided to pay the Chairman and the Members of the Board of Directors a gross monthly salary of TRY 1,150.