

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 1. STATEMENT 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 announced 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 underway to fix these shortcomings in order for Migros to be an exemplary role model.

The Company adopted the main principles of Corporate Governance which 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. In 2007, the Company set up the Corporate Governance Committee within the framework of compliance with the Capital Market Legislation and Corporate Governance Principles. At the Board of Directors meeting of 07 May 2007, it has been decided to elect Aziz Bulgu, Erkin Yılmaz and Ömer Özgür Tort as members of the committee. At the Company's Board of Directors meeting held on 18 June 2007, Levent Çakıroğlu has been appointed effective 01 July 2007 to the office and the Corporate Governance Committee membership vacated by our Company's general manager Aziz Bulgu's retirement as of 30 June 2007. The developments and improvements realized 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 keep the shareholders informed, the Company renewed its corporate website in 2005 and enriched its substance and content during 2007, thereby allowing the shareholders to have access to more information about the Company.

The Company's Corporate Governance Principles Compliance Report can be accessed at the corporate website ([www.migros.com.tr](http://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 unit manages the processes related to the Company's general assembly, capital increases and dividend payments. This unit handles all demands and transactions of the shareholders regarding capital increases and dividend payments.

In addition, the unit represents and acts as the contact center of the Company in its relations with various institutions including the CMB, İstanbul Stock Exchange (ISE), Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc). Among the unit's other activities are keeping records of the Board of Directors meetings and material disclosures to the ISE in compliance with the CMB Communiqué Serial: VII No: 39. Within the scope of the Public Disclosure Platform (in Turkish: KAP) of the CMB, these material disclosures and other announcements are also posted on the electronic environment using software developed by TÜBİTAK. Migros' Investor Relations Unit monitors relevant legislation as well as CMB communiqués and informs the senior management about the subjects and issues requiring compliance.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

All shareholders requesting information about the Company can submit their queries by sending e-mail to [yatirimci@migros.com.tr](mailto: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 / İSTANBUL  
Phone: 0216 579 30 00 (ext. 3214)  
E-mail: [erkiny@migros.com.tr](mailto:erkiny@migros.com.tr)

Investor Relations Manager: Dr. Affan Nomak  
Phone: 0216 579 30 00 (ext. 3142)  
E-mail: [affann@migros.com.tr](mailto: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 dematerialized system in stocks was achieved; the Company met all requirements on the subject. Yapı Kredi Securities Inc. on behalf of Migros is undertaking the dematerialization transactions.

A total of 155 Migros and 7 Tansaş shareholders who had not exercised their bonus stock options in due time and/or claimed their dividend entitlements subsequently did so at the Company's headquarters. In addition, 490 Migros and Tansaş shareholders who phoned with information requests about the current and prior year 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 first to the Company headquarters if the new share coupons on their certificates are numbered 11 or below.

If the coupon numbered 11 on their certificates has been used but those numbered 12 and 13 have not, shareholders may exchange these certificates and receive their bonus shares of stock at Yapı Kredi Bank İstanbul-Harbiye branch or at any other branch of Yapı Kredi Bank as announced on the Company's corporate website. Dividends for year 2001 and thereafter may also be collected by presenting dividend coupons to the Yapı Kredi Bank Harbiye branch in İstanbul or any other branch of Yapı Kredi Bank as announced on the Company's corporate website.

During the year, Migros made a capital increase through bonus shares. The Company's issued capital of YTL 176,266,866, which is within the YTL 190 million authorized capital, was raised to YTL 178,030,000 through issuance of bonus shares worth YTL 1,763,134 (1.000264%) by covering

- YTL 1,003,247.86 from the gain on sales of subsidiaries generated by disposal of the shares in Ece Türkiye Proje Yönetimi A.Ş. to Ece Group, which was decided to be added to the capital,
- YTL 331,994.77 from extraordinary reserves corresponding to year 2003 other earnings, and
- YTL 427,891.37 from extraordinary reserves corresponding to year 2004 other earnings.

The shares issued for the capital increases were started to be distributed from 09 November 2007. New share acquisition transactions have been carried out in dematerialized form as per the relevant CMB communiqués. There is no time limitation applicable for acquiring bonus shares.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In Turkey, dematerialization of the shares of public companies and their oversight by the Central Registry Agency (CRA) in dematerialized form as per the relevant CMB communiqué was introduced on 28 November 2005.

Within this context, shareholders who hold printed stock certificates and would like to participate in the November 2007 capital increase need to apply to Yapı Kredi Bank branches announced on the Company's website and have their certificates registered and converted into tradable stock status and into dematerialized form. The Company will under no circumstance print physical shares in this and subsequent capital increases. Tansaş shareholders who would like to swap their Tansaş shares for Migros shares due to the merger can perform this transaction again in dematerialized form via the relevant Yapı Kredi Bank branches.

### 3. Shareholders' Exercise of Their Right to Obtain Information

#### Disclosure

The Investor Relations Unit responds to all information requests about the Company. During the reporting period, shareholders requested information about the prior years' dividends in terms of amount and the manner and place of their payment, participation to 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 dividend distribution and capital increase through bonus shares carried out during the year. Announcements regarding all such processes and matters were made through material disclosures, as well as in newspaper 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, year-end sales targets, etc. in post-balance sheet period. The Investor Relations Unit keeps Migros shareholders and brokerage analysts informed using all available communication means such as one-on-one meetings, conference participations, meetings, Internet, telephone, information bulletins, etc.

#### Auditing

According to Migros' Articles of Association, "three statutory auditors are to be elected from amongst shareholders and/or non-shareholders to serve a maximum term of office of three years" by the General Assembly. In practice, Migros' statutory auditors are elected by the General Assembly every year.

In addition and as required by the CMB Regulation concerning Independent Auditing in Capital Markets, a firm is also appointed as the Company's independent auditor every year by the General Assembly. For 2007, the General Assembly decided to appoint 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 Meeting to be convened to discuss the Company's 2007 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 2007 where the activities and accounts of Migros Türk Ticaret Anonim Şirketi for the year 2006 were reviewed was held at Divan Hotel located at Cumhuriyet Caddesi No. 2, Elmadağ, Şişli/İstanbul at 11:30 on 05 April 2007 under the supervision of Nurgün Örs, a Ministry of Industry and Commerce observer appointed for the duty by letter 19182 dated 04 April 2007.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

As per the law and the Company's Articles of Association, announcement of the General Assembly Meeting and its agenda were promulgated in the Turkish Trade Registry Gazette issue 6759 dated 06 March 2007. It was also announced in the 06 March 2007 national edition of the Radikal newspaper. In addition, the date and location of the General Assembly Meeting were announced 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 on the eve of the meeting. 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 submit their proxy form to the Company, which was to be prepared according to the form provided by the Company and duly notarized as specified in CMB Communiqué Serial: IV No: 8 published in the Official Gazette dated 09 March 1996. The sample proxy form was posted on the Company's website in addition to the newspaper announcements.

The Company's 2006 balance sheet, income statement, Board of Directors' annual 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 20 March 2007.

According to the General Assembly's attendance roster, a total of 9,814,243,638.6 shares out of 17,626,686,600 for the Company's total capital of YTL 176,266,866 were represented at the meeting, of which 9,810,942,535.5 shares corresponding to YTL 98,109,425.355 were present in person and 3,301,103.1 shares corresponding to YTL 33,011.031 were represented in 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 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 the Turkish Trade Registry Gazette issue 6788 dated 16 April 2007 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.

### 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 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 Migros' Articles of Association, none of the Company's shares enjoy privileged voting rights. All votes are equal. Every shareholder is entitled to one vote for each share of stock he holds at the General Assembly meetings. There are no shareholders with cross shareholding interest.

### 6. Dividend Payment Policy and Timing

There are no privileges regarding participation in 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 quoted on the stock market in 1991. In parallel, the Company has uninterruptedly paid a dividend over the last sixteen 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 added to the capital and paid in bonus shares. Paying a dividend is a matter that Migros has always regarded as important from the standpoint of its shareholders'

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.

In line with 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 publicly disclosed.

Pursuant to the CMB communiqués Serial: XI No: 25 and Serial: IV No: 27, profit of an associate, a subsidiary or an investment 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. Transfer of Shares

The Company's Articles of Association contain no provisions restricting transfer of shares. According to the Articles of Association, the Board of Directors is authorized to make decisions on issuing shares of stock priced above their 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 Serial: VIII No: 39 on Principles Governing Disclosure of Material Events. 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 Unit makes every effort to respond to them accurately, completely, and mindful of the principle of equality in line with the Company's public disclosure policy.

Migros' public disclosure policy requires it to share any and all information upon demand unless such information is a commercial secret or would engender a competitive advantage for third-party individuals or entities to Migros' disfavor and reflect adversely on the Company's operations were it to be divulged.

### 9. Disclosure of Material Events

In 2007, the Company made a total of 138 material disclosures, excluding announcements about Migros made by Takasbank, CRA and other publicly held companies, within the framework of CMB Communiqué Serial: VII No: 39 on Principles Governing Disclosure of Material Events. 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 also made available in the electronic environment.

### 10. Company Website and its Content

Migros launched its website at [www.migros.com.tr](http://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 and 2007. 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.

On the Company website, the Investor Relations heading covers the main sections of "Migros, Corporate, Financial Reports, Information on Capital Increases and Dividends, Information on General Assembly Meetings, Material Disclosures, FAQ and Contact Us". The subsections under these main sections offer detailed information about Migros to our investors. The Investor Relations webpage is updated as necessary, thus ensuring our investors to have easy access to current data.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 11. Disclosure of Non-Corporate Ultimate Shareholder(s) Who Have a Controlling Interest:

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

Shareholder	Share (%)	Amount (YTL)
Koç Holding A.Ş.	50.83	90,497,273
Publicly Held	49.17	87,532,727
<b>Total</b>	<b>100.00</b>	<b>178,030,000</b>

There are no privileged shares.

The changes that occurred in the shareholding structure in the reporting period are discussed in the relevant sections of the 2007 annual report.

Pursuant to the CMB Communiqué Serial: VIII No: 39, the Company's chairman and the members of the Board of Directors, general manager and assistant general managers, other persons with significant decision-making authority and responsibilities in the partnership and shareholders directly or indirectly owning more than 5% of the Company's shares or parties acting together with such shareholders are required to make material disclosures when they buy or sell Migros shares.

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

Names of the members of the 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. Nusret Arsel	Member of the Board of Directors
Ömer M. Koç	Member of the Board of Directors
Dr. Bülent Bulgurlu	Member of the Board of Directors
Y. Ali Koç	Member of the Board of Directors
Uğur Çatbaş	Member of the Board of Directors
Oktay Irsidar	Member of the Board of Directors
Ali Yavuz	Statutory Auditor
Ahmet Sönmez	Statutory Auditor
Serkan Özyurt	Statutory Auditor
Levent Çakıroğlu	General Manager
A. Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
Demir Aytaç	Assistant General Manager
Ö. Özgür Tort	Assistant General Manager
Cem Rodoslu	Assistant General Manager

At the Company's Board of Directors meeting held on 18 June 2007, it was decided to appoint Levent Çakıroğlu as General Manager effective 01 July 2007 to succeed Aziz Bulgu, who has retired on 30 June 2007.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART III-STAKEHOLDERS

#### 13. Keeping Stakeholders Informed

Corporate governance practices of Migros guarantee the rights to which stakeholders are entitled by laws, regulations and mutual agreements. The Company's employees, shareholders, and investments, and third-party individuals and entities with which the Company has business relationships may submit suggestions or report violations on such issues directly to the Company's management. Such direct submissions and reports are evaluated and responded as appropriate. Migros publishes the names and contact information of the Company's department heads on its corporate website thus making it possible for stakeholders to directly contact the manager in charge of a particular issue and direct their questions and opinions on any issue to the relevant person first-hand. The objective of this model is to enable a more transparent and a more effective communication between the Company and its stakeholders.

Stakeholders are kept informed on matters related to the Company that are of interest to them. Potential investors who are considering buying the Company's stock can request information by directly contacting our Investor Relations Unit. The Migros Investor Relations Unit responds to their questions about the Company by e-mail or telephone or in one-on-one meetings.

The aspects of Migros Code of Conduct concerning employees are presented under the heading "Ethics Rules". Other principles are presented below.

#### Responsibilities of Migros towards other companies

1. Migros abides by the law in all of its activities.
2. Migros does not derive improper benefit from any person or entity under any circumstance. Migros makes all of its goods and services procurement decisions based on established and publicly disclosed criteria.
3. It is important for 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 and it takes necessary action accordingly.
5. Migros does not divulge private information it receives from a company that serves it to third parties without that company's permission.

#### Responsibilities of Migros towards the Community

1. Migros strives to reach the service standards that its customers expect of it.
2. Migros seeks to fully and timely fulfill all of its tax and other obligations and to set an example for the community.
3. Migros does not make derogatory, derisory, or offensive statements about 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 and it complies with all the requirements of law on such matters.
5. Migros advocates business ethics in its sector and strives for establishment, furtherance, and adoption of these principles.

#### Responsibilities of Employees towards the Company

1. Migros employees strictly reject any offers of material or moral benefits from third parties made to influence their conduct of activities falling within the areas of their individual responsibility.
2. Migros employees inform their immediate managers whenever entering into a one-on-one business relationship with any company which a close relative works for, has a partnership interest in, or is the owner of.
3. Migros employees exhibit maximum attention and care when fulfilling the duties assigned to them and they 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 the dress and behavior codes that have been established by the Company management or are generally accepted.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

5. Migros employees do not remain indifferent or unresponsive in any situation that is contrary to 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 their intended purposes. They do not use the Company's 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 prior consent of the Company management.

### Responsibilities of Employees towards Employees

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

### In General

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

### 14. Stakeholder Participation in Management

Article 7 of the Company's Responsibilities toward its Employees of the Migros Code of Conduct 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 this 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 communicate their suggestions and demands to the Company's senior management and the members of the Board of Directors directly or electronically 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 our founder, the late Vehbi Koç, once so rhetorically said "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 dealings 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.



# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 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 associated 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 in our country, theoretical and practical training is also provided in cooperation with the public authorities concerned.

### Equality of Opportunity

In its 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 the 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, promotion, career development and compensation through the Company's Integrated Human Resource systems.

### Human Resources and Industrial Relations

The management of human resources processes and of 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 and is clearly defined and committed to in the Company regulations and in the Company's business ethics principles.

### Participation and Transparency

Managers and employees are inseparable elements of human resource practices at Migros. Employees are kept informed about their roles and responsibilities in human resources policies, 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 (intranet, e-mail, e-learning and meetings). Employees have access to all of their evaluations and are able to obtain training and information on practices, and can view their individual results.

### 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

Values shared in common make up the foundation of our corporate culture. These values are:

- 1- Reliability
- 2- Leadership
- 3- Sensitivity
- 4- Customer-focus
- 5- Productivity
- 6- Innovation

Actions of employees contradicting with the Company's common values are dealt with appropriately and impartially through warning systems and discipline committee procedures. Conducting relations with employees at Migros is the primary function of the Company's Recruitment, Placement and Industrial Relations Department. 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 so as to maintain labor peace and fulfill all legal obligations.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 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 pioneer under changing conditions. Important elements of Migros' innovative style include a thorough familiarity with both customers and the market, an ability to keep abreast of developments, and act proactively, and spearheading change. For this reason, a number of firsts took hold in the sector only after they were introduced at Migros, such as consumer rights launched as early as in the 1960s and 1970s. 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 and diversified service. Analysis of customer data makes it possible to approach customers not merely collectively but also individually. In addition to its modern and contemporary supermarkets, Migros expanded and diversified its formats tailored according to the changing customer needs such as the discount outlets introduced in 1995 and the e-commerce platform Migros Virtual Market introduced 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. A new format introduced by Migros to its customers in 2007 has been the 5M stores. The target is to fulfill customer expectation through different formats.

In the retail sector, anything seen in the stores can be imitated quickly; however, differentiation that cannot be imitated so quickly in customer relations is warranted by experience combined with a deeply-rooted innovation concept in the corporate culture, as well as investments in technology to back them up.

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 in 2006, a Customer Satisfaction Survey was given to 7,500 customers for both stores in 2007. 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.

Our objectives include launching pioneering practices targeting new trends and expectations based on the findings derived from Customer Relations Management (CRM) practices resulting from the analysis of Migros Club data and from the mystery shopper survey aimed at improving the employees' attitudes. Mystery shopper surveys are a unique Migros quality-based performance tool that employs scientific methods to measure and benchmark the quality of service provided at points of sale within the framework of our corporate culture and company rules, from the standpoint of physical standards and customer relations, and in line with customers' views and evaluations.

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

- In August 2005, Migros earned the ISO 9001-2000 Quality Management System certification as an outcome of integrating its long-standing process analysis and process-based documentation and Quality Management System established in accordance with the ISO 9001:2000 standard.
- Migros was certified in December 2006 for the TS EN ISO 22000 Food Safety Management System by the Turkish Standards Institution (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. In addition, Tansaş and Macrocenter stores were added to the scope of the TS EN ISO 9001-2000 certificate that had been previously earned. In 2007, Migros Türk T.A.Ş. included Şok discount stores under the scope of ISO 9001 and ISO 22000 certifications. This signifies introduction of good quality by Migros Türk T.A.Ş. to discount store management.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Migros carefully selects each one of its suppliers, which are also audited at regular intervals by competent independent organizations. The products are also subjected to periodic quality control analyses. Migros-labeled products are included in the same quality control process.
- Every new product that is put up for sale at Migros undergoes 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, with the guarantee that there will be sufficient stock for the duration of the sale.
- All customer suggestions received at the stores or at the Call 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 service standards that its customers expect of it.
2. Migros seeks to fully and timely fulfill all of its tax and other obligations and to set an example for the community.
3. Migros does not make derogatory, derisive, or offensive statements about 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 and it complies with all the requirements of law on such matters.
5. Migros advocates business ethics in its sector and strives for establishment, furtherance, and adoption of these principles.

Migros believes that corporations are as equally responsible as are the governments, non-governmental organizations, and national and international standards for sustainable development of a contemporary way of life, improved standards of living and efficient use of limited resources both in Turkey and in other countries in which it is active.

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, as well as its corporate identity as an Honest Retailer and one that is sensitive to the environment.

As a requirement of its approach 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 unrecorded economy and contribute to employment by protecting legal employee rights. The Company also shares its sense of social responsibility with its social 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.

In its actions, Migros is 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

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.

Adopting the philosophy that quality is the quest for perfection as its starting point, Migros seeks to achieve the highest possible level 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.

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. Nusret Arsel	Member
Ömer M. Koç	Member
Dr. Bülent Bulgurlu	Member
Y. Ali Koç	Member
Uğur Çatbaş	Member
Oktay Irsidar	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.

#### 19. Qualifications of Board Members

All members on the Board of Directors possess the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of section IV of CMB's Corporate Governance Principles. They are also professionals whose knowledge, experience, and educational backgrounds are exemplary both in our 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 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.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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. 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 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 oversight.

Board members are informed of the progression and direction of the Company's business via meetings where the annually updated long term five-year plan is presented and reviewed, annual budget and review meetings and quarterly meetings at which 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 the Board members to monitor the Company's efforts to achieve objectives and immediately intervene and provide guidance when necessary.

### 21. Risk Management and Internal Control Mechanism

The purpose of internal control system at Migros is to provide the Company management with independent information on the functional, operational and financial performances of audited processes or units, thus enabling the management of identified or predicted risks, and systematic establishment and operation of necessary control mechanisms. For this purpose, the Internal Control Department has started functioning at the Company in 2005 and completed its structuring in 2006. The Department continued to work at an increasing pace in 2007 and contributed to improved productivity and more effective management of business processes across the Company by means of the reports and recommendations submitted. In the scheduled financial and operational audits carried out, the Migros Internal Control Department investigates and reviews:

- The degree of effective and economic utilization of the Company's resources,
- Whether any abuse or fraud is committed over the Company's resources;
- Efficiency and effectiveness of operations,
- Compliance of employees with the quality management documentation and administrative instructions approved by the management,
- Efficiency of the internal control mechanisms designed for operations and activities,
- Reliability of financial statements,
- The extent to which predetermined and reported operations and transactions posing a risk have been eliminated or taken under control through suggestions endorsed by the management.

Within this framework, the Internal Audit Department performed both financial and operational audits in 2007 in line with the risk analysis conducted and the annual internal audit schedule. The assessment and recommendations resulting from the audits have been presented to the Company's senior management by means of the audit reports produced, which also pointed improvement areas based on constant improvement philosophy. In addition to financial and operational audits, the Internal Audit Department also controls various predetermined issues that have also been reported to the senior management, with regard to which necessary action steps have been agreed upon. The Department also targets maximum utilization of the Company's entire technological infrastructure and cooperates with the Information Technology Department for provision of data that will be used in audits or will in general serve to improve the audit environment.

In conclusion, the efforts of the Internal Audit Department in 2007 concentrated on maintaining risk management effectively and developing control mechanisms in accord with the current conditions across Migros Türk T.A.Ş. Contributing to the Company's efficiency in this sense, the Internal Audit Department supports the enhancement of business processes through constant self-improvement.

# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 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](http://www.migros.com.tr).

The Migros Board of Directors is authorized to decide on all matters 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 2007, the Board of Directors passed 44 resolutions on various matters. At least six (6) members attended each 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 same is entered into the minutes of the meeting along with the reasons therefor. There were no dissenting opinions entered into the minutes of any Board meeting held in 2007. 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 members have weighted voting rights or veto rights.

### 24. Prohibition on Doing Business or Competing With the Company

Migros has a leasehold relationship in a total of seven stores with its chairman Rahmi Koç and with board members Y. Ali Koç, Ömer M. Koç and Semahat Arsel. 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

Migros' principles of business ethics are grouped under the following five headings:

- Responsibilities of the Company towards its employees
- Responsibilities of employees towards the Company
- Responsibilities of the Company towards other companies
- Responsibilities of the Company towards the community
- General responsibilities

The Company's responsibilities towards its employees are described under the main headings below. Information about the other categories of business ethics principles is 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 towards 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 observes 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 creates equality of opportunity among its employees.
- 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 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.

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# MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 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 circumstances, 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 data, etc.) about its employees that it may receive through any means.

### 26. Numbers, Structures, and Independence of Committees within the Board of Directors

A two-person Audit Committee has been formed by the Migros Board of Directors. For the current period, Uğur Çatbaş and Oktay Irsidar have been elected as members to serve until the General Assembly at which the Company's 2007 activities are to be discussed. The Audit Committee meets four times a year.

Within the scope of compliance with the Capital Markets Legislation and Corporate Governance Principles, the Migros Board of Directors set up a Corporate Governance Committee. At the Company's Board of Directors meeting on 07 May 2007, Aziz Bulgu, Erkin Yılmaz and Ömer Özgür Tort have been named as the members of this committee. By the Board of Directors resolution of 18 June 2007, Levent Çakıroğlu has been appointed effective 01 July 2007 to the office and the Corporate Governance Committee membership vacated by our Company's General Manager Aziz Bulgu's retirement as of 30 June 2007.

### 27. Remuneration of the Board of Directors

At the General Assembly Meeting for year 2006 convened on 05 April 2007, the General Assembly decided to pay the chairman and the members of the Board of Directors a gross monthly salary of YTL 1,265.