



**MİGROS 2015 ANNUAL REPORT**

**MİGROS** | 61.yıl  
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# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

Address	Atatürk Mah. Turgut Özal Bulvarı No: 7 34758 Ataşehir / İstanbul
Trade Registry No.	659896
Mersis (Central Registration System) No.	0622052951300016
Phone	0216 579 30 00
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On 20 October 2015, a two-year agreement was executed with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., which holds an operating license to be engaged in performing ratings in accordance with the CMB’s Corporate Governance Principles, for the rating of our Company’s compliance with corporate governance principles.

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

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

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

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

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

A corporate governance committee was formed within the Board of Directors in 2007 and charge with overseeing corporate governance matters throughout the Company and with supervising the Investor Relations Department. Capital market laws and regulations mandate that a corporate governance committee be set up and that its head be chosen from among the Company's independent board members. In a board resolution passed on 15 July 2015, Jacob Cornelio Adriano de Jonge, Nikolaos Stathopoulos, Mehmet Hurşit Zorlu and Can Çaka were elected to seats on the corporate governance committee and independent board member Jacob Cornelio Adriano de Jonge, was made committee chairman.

Our corporate website ([www.migroskurumsal.com](http://www.migroskurumsal.com)) is updated daily in order to provide more extensive information on the Company to our shareholders. In addition, dedicated websites are available on each of our Company's formats for the information of the general public and our shareholders. In addition to forming a part of its annual report, Migros' corporate governance principles compliance report may also be found in the "Investor Relations" section of its corporate website located at [www.migroskurumsal.com](http://www.migroskurumsal.com).

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

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

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

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

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

## PART I - SHAREHOLDERS

### 2.1 Investor Relations

The Investor Relations Department was set up under the responsibility of the assistant general manager for financial affairs. The Investor Relations Department acts in compliance with the requirements of Turkish Commercial Code, capital market laws and regulations and with CMB regulations, communiques, and principles in the conduct of its activities. The Investor Relations Department is actively involved in making it easy for shareholders to protect and exercise their rights, including but not limited to, their rights to obtain information and to examine the Company's records.

- Manage general assembly meeting-related matters in compliance with the requirements of laws and regulations and of the Company's articles of association;
- Conduct matters related to share capital increases;
- Conduct matters related to dividend payments;
- Handle shareholder requests and procedures related to general assembly meetings, share capital increases, and dividend payments;
- Represent the Company;
- Represent the Company before such agencies as the Capital Markets Board (CMB), Borsa Istanbul, the Central Registry Agency (CRA), and ISE Settlement and Custody Bank Inc. and liaise with them;
- Maintain records pertaining to the Board of Directors, to committees set up within the board, and to general assembly meetings;
- Provide the Public Disclosure Platform with information about material events as required by the Public Disclosure Communique (VII-128.6), the Material Events Communique (II-15.1), and other pertinent regulatory requirements;
- Keep track of all matters related to public disclosures covered by the Company's public disclosure policy;
- Prepare documents that may be useful to shareholders at general assembly meetings and ensure that shareholders have easy access to these documents;
- Keep track of the requirements of laws and regulations and of CMB legislation;
- Inform senior management of matters and issues with which the Company must be in compliance;
- Prepare the Company's quarterly and annual reports;
- Coordinate efforts and activities related to Corporate Governance in harmony with the Corporate Governance Committee;
- Prepare quarterly and annual informational presentations and bulletins;
- Provide investment banks/brokerage analysts, fund managers, shareholders, and other stakeholders with information about the Company;
- Propose changes to keep the articles of association in compliance with current laws and regulations;
- Maintain regular and up-to-date records of all communication with investors;
- Keep abreast of and analyze information about competitors and the sector;
- Respond to shareholders' queries and requests for information to the extent allowed by the Company's disclosure policy;
- Have shareholders' paper-form securities dematerialized;
- Coordinate the initiatives and efforts regarding sustainability.

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

**Assistant General Manager for Finance:**  
Erkin Yılmaz  
**Address:** Atatürk Mahallesi Turgut Özal  
Bulvarı No: 7 34758 Ataşehir / İSTANBUL  
**Email:** erkiny@migros.com.tr

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

**Investor Relations Group Manager**  
Dr. Affan Nomak  
**Email:** affann@migros.com.tr  
**Capital Market Activities Level 3 License**  
No: 204627  
**Corporate Governance Rating Specialist**  
License No: 700482

**Investor Relations Associate:**  
Ahmet Hüsamettin Özkök  
**Email:** ahmeto@migros.com.tr  
**Capital Market Activities Level 3 License**  
No: 209815  
**Corporate Governance Rating Specialist**  
License No: 702068

The dematerialization of securities is undertaken by Yapı Kredi Securities. During the reporting period, retroactive action was taken at the Company's headquarters concerning Migros Türk T.A.Ş. shareholders and Tansaş Perakende Mağazacılık T.A.Ş. shareholders who had not taken part in stock options, or had not received dividends to which they were entitled, or who applied to have their paper-form shares dematerialized. In addition, shareholders who called the 444 10 44 Customer Services Line were provided with information and also directed to go to any Yapı Kredi Bank branch in order to exercise their rights. More than 200 shareholders contacted the Investor Relations Department to obtain information on a variety of issues. They were informed in compliance with the requirements of corporate governance principles.

The activities of the Company in 2015 are itemized below.

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

## 2.2 Shareholders' Rights to Information

### Disclosure

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

Immediately after each announcement of the Company's quarterly results, teleconferences concerning the investor presentation published on our website were conducted. During these teleconferences, detailed information was provided about the presentation.

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

### Auditing

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

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

A two-member Audit Committee has been formed by the Board of Directors of Migros. Under article 4.5.3 of the CMB's "Communique concerning corporate governance principles (II-17.1)", all of the members of the Audit Committee must be selected from among the Company's independent board members. At a meeting of the Board of Directors on 15 July 2015, a resolution was passed to reconstitute the Audit Committee as a two-person body whose members are both independent board members and Hakkı Hasan Yılmaz and Jacob Cornelio Adriano de Jonge were elected to fill these seats. As also required by Capital Markets Board regulations, Hakkı Hasan Yılmaz was designated as the committee's chairman.

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

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

### 2.3 General Assembly Meetings

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

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

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

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

#### Annual General Assembly Meeting

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

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

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

### 2.4 Voting Rights and Minority Rights

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

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

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

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

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

### 2.5 Dividend Rights

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

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

#### Dividend Policy

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

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

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

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

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

## 2.6 Transfer of Shares

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

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

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

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

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

### Capital Structure

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

### Capital Structure

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

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

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

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

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

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

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

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

### Capital Structure

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

## PART III: PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1 The corporate website and its content

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

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

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

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

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

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

Company Capital and Distribution of Dividends", "Information on General Assembly Meetings of Shareholders", "Material Disclosures", "Announcements to Shareholders", "Frequently Asked Questions", and "Contact Us". Our investors can find more detailed information about Migros in the subsections under these main headings. Our "Investor Relations" page is updated as circumstances warrant and as required by law. Every effort is made to make such information easily accessible to stakeholders.

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

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

### 3.2 Annual Report

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

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

**PART IV: STAKEHOLDERS****4.1 Informing Stakeholders**

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

Migros publishes the names and contact information of the department heads of the Company on its corporate website thus making it possible for stakeholders to directly contact the manager overseeing a particular issue and direct their questions and opinions to the relevant person firsthand. The objective of this model is to allow for the establishment of a more transparent and effective communications model between the Company and its stakeholders.

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

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

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

**The responsibilities of Migros towards other companies**

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

**Social responsibilities of Migros**

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

**The responsibilities of Migros employees towards the Company**

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

4. Migros employees are obliged to refrain from endangering the health and safety of themselves and of other employees who are affected by their actions and their jobs in line with the occupational health and safety training they received and with the employer's relevant instructions.
5. Migros employees are obliged to operate the machinery, equipment, devices, tools, dangerous materials, transportation equipment and other production machinery in the workplace in accordance with their respective guidelines, to properly use protective equipment, not to remove and change such protective equipment arbitrarily, and to cooperate with the employer and employee representatives to assure occupational health and safety in his/her respective job area, in accordance with the employer-provided training and instructions.
6. Migros employees refrain engaging in any action or behavior which would damage the image and reputation of the Company and during work hours they comply with the generally accepted code of conduct and the dress policy of the Company.
7. Migros employees do not remain indifferent or silent in any situation which runs counter to the interests of the Company and shall notify the concerned business units.
8. Migros employees avoid waste by putting all the fixtures, tools and equipment owned by the Company to use for their intended purposes. The employees do not use the resources and facilities of the Company for their own private benefit.

9. Migros employees do not divulge any confidential or private information which they might be privy to due to their position or the work they perform outside the Company and they do not give interviews or make statements of any kind to any media organization without the prior consent of the Company management.

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

Migros employees do not share the private information regarding their co-workers they might be privy to with other third parties outside the Company. Our Company is against any and all sorts of behavior that will tarnish its employees' reputation and honor, or that constitutes infringement of its employees' personal and employment rights; and any and all sorts of harassment (psychological harassment, mobbing, sexual harassment) that disturbs physical, psychological and social health and negatively affects the working life of our employees and our Company, and aims to develop and maintain a fair and respectful working environment for all employees.

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

#### General responsibilities

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

#### 4.2 Stakeholders' Participation in the Company Management

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

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

#### 4.3 Human Resources Policy

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

### Our Principles

#### Strategic Use of Human Resources:

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

#### Superior Business Ethics and Integrity:

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

#### Occupational Safety:

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

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

#### Equal Opportunities:

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

#### Human Resources Management:

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

#### Participation and Transparency:

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

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

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

#### Competitiveness:

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

**Commitment to Shared Values:**

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

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

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

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

**4.4 Code of Ethics and Social Responsibility**

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

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

The responsibilities of the Company towards its employees and the information about the other categories of business ethics principles have been described in the various sections of this Corporate Governance Compliance Report. The Migros Code of Ethics may be accessed from the Company's corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com).

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

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

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

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

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

## PART V: BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

## Resumes of the Board Members

### Fevzi Bülent Özaydınlı

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

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

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

## Board of Directors

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

#### External positions held

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

#### Tuncay Özilhan

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

#### Outside positions held

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

#### Nikolaos Stathopoulos

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

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

#### Outside positions held

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

#### Stefano Ferraresi

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

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

#### Outside positions held

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

#### Khalid Hilal Hamood Al Yahmadi

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

#### Mehmet Hürşit Zorlu

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

#### Outside positions held

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

### Salih Metin Ecevit

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

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

### Outside positions held

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

### Can Çaka

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

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

### Independent Board Members

#### Jacob Cornelio Adriano de Jonge

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

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

Jacob Cornelio Adriano de Jonge possesses the qualifications of an independent board member as per the CMB's Corporate Governance Principles.

He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

### Outside positions held

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

### Tayfun Bayazit

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

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

**Outside positions held**

Tayfun Bayazıt is the founding partner of Bayazıt Consultancy Services. He is an independent member on the boards of directors of Doğan Şirketler Grubu Holding A.Ş., TAV Havalimanları Holding A.Ş., Boyner Perakende ve Tekstil Yatırımları A.Ş. and Boyner Büyük Mağazacılık A.Ş. He is also a board member at SAF REIT. Chairman of MB

18 Advisory Kurumsal Danışmanlık Hizmetleri A.Ş. (subsidiary of Mediobanca), Primist Gayrimenkul Geliştirme ve Yatırım A.Ş. and Taaleri Portföy Yönetimi A.Ş., he serves as the Country Corporate Officer at Marsh & McLennan Group, Turkey. Mr. Bayazıt also holds seats on the boards of directors of Marsh Sigorta ve Reasürans Brokerliği A.Ş., Marsh Italia SpA, Beşiktaş Gayrimenkul Geliştirme San. ve Tic. Ltd. Şti., Bomonti Gayrimenkul Pazarlama İnşaat ve San. Tic. A.Ş. and Embarq, Turkey (non-governmental organization), and he is on the advisory board of Taaleritehdas Asset Management Ltd., Finland. He is also a faculty member at Koç University.

**Hakkı Hasan Yılmaz**

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

He began his business life at Presiz Metal İmalat Sanayi as an industrial engineer and then worked as a market analyst at TAKSAN Takım Tezgaahları A.Ş. and as a capital goods specialist at DPT (State Planning Organization) from 1981 to 1984.

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

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

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

**Outside positions held**

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

**Aziz Bulgu**

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

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

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

**Independent Board Members' Affidavit**

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

Owing to my having been proposed as a candidate for a seat as an independent board member on your Company's Board of Directors at your Company's general assembly meeting for the year 2014 to be held on 9 April 2015, I hereby declare and wish it to be known by all Company organs, shareholders, and other interested parties that I am a candidate to serve as an independent board member at the Company within the framework of the Company's articles of association and the criteria of the Capital Markets Board's Corporate Governance Principles and that I possess the qualifications to do so and furthermore:

- a) That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an administrative capacity involving significant duties and responsibilities, owned more than 5% of the capital or voting rights or privileged shares either jointly or individually, or have established a significant commercial relation with the Company, or with corporations over which the Company holds management control or significant influence or with shareholders who hold management control over the Company or have significant influence over the Company, or with legal entities controlled by these shareholders,
- b) That within the most recent five years, I have not been a shareholder (5% and more), not worked in an administrative capacity undertaking significant duties and responsibilities or not served as a member of the board of directors in any company, particularly companies involved in the Company's auditing (including tax audit, statutory audit, internal audit), rating, or consulting functions that the Company purchases or sells a substantial amount of goods or services within the framework of the contracts executed, during the period of such sale or purchase,
- c) That, as may be seen from my resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors;
- d) That, as of the date on which my candidacy for board membership was proposed and this affidavit is submitted, I am not a full-time employee of any public agency or organization and that, if elected, I shall not be for the duration of my term of office;
- e) That I am a resident of Turkey as defined in the Income Tax Law;
- f) That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- g) That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking
- h) I have not served as a member on the Company's board of directors for more than six years within the last ten years,
- i) I have not served as an independent board member in more than three companies over which the Company or the controlling shareholders of the Company hold management control and in more than five listed companies in total.



Jacob Cornelio Adriano de Jonge



Tayfun Bayazıt



Hakkı Hasan Yılmaz



Aziz Bulgu

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 5.2 Operating Principles of the Board of Directors

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

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

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

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

A secretariat is charged with organizing and conducting meeting-related matters both before and after meetings are held. This secretariat is also responsible for the regular maintenance of meeting-related records, for making entries in the Board of Directors Book of Resolutions, and for making this register accessible to board members for their inspection. Any and all manner of views may be expressed during board meetings. If any dissenting votes are cast against a particular resolution, information about this is included in the minutes along with the justifications for such dissent. No dissenting opinions were entered into the minutes of any board meetings that took place during 2015. Any questions that may be raised by board members and the answers given to them are also entered into the minutes. Issues pertaining to board meetings and decision quorums are governed by the Turkish Commercial Code.

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

Each member of the Migros Board of Directors is entitled to one vote. No members have been granted weighted voting or veto rights.

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

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

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

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

An audit committee, a corporate governance committee and an early detection of risk committee have been set up both in compliance with the requirements of CMB Corporate Governance Communique II-17.1 and in order to help the Board of Directors better fulfill its duties and responsibilities. Owing to the structure of the board, neither a nominating committee nor a remuneration committee has been set up: the functions of such committees are performed by the Corporate Governance Committee. These committees' areas of responsibility, their working principles, and their memberships are determined and publicly disclosed by the Board of Directors.

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

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

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

#### a. Audit Committee

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

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

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

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

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

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

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

#### b. Corporate Governance Committee

The Migros Board of Directors has set up a corporate governance committee to oversee corporate governance practices at the Company and to coordinate the activities of the Investor Relations Department. At its meeting on 15 July 2015, the board decided to elect Jacob Cornelio Adriano de Jonge, Nikolaos, Stathopoulos, and Mehmet Hurşit Zorlu and Can Çaka as the members of the Corporate Governance Committee. In compliance with CMB regulations, the board also decided to appoint Jacob Cornelio Adriano de Jonge to head the committee.

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

### c. Early Detection of Risk Committee

At a meeting of the Board of Directors held on 15 July 2015, it was decided to elect Tayfun Bayazit, Jacob Cornelio Adriano de Jonge, Salih Metin Ecevit, Mehmet Hurşit Zorlu, and Erkin Yılmaz to seats on an early detection of risk committee which had been set up in

compliance with the requirements of Turkish commercial law, capital market laws and regulations, and corporate governance principles. As also required by Capital Markets Board regulations, Tayfun Bayazit was designated as the committee's head.

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

### 5.4 Risk Management and Internal Control Mechanisms

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

Enterprise Risk Management restructuring process entails the main headings of:

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

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

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

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

The fundamental duties of the Internal Audit Department consist, among other things, of investigating/examining activities and transactions which previously had been determined and reported as having elements of risk in order to ascertain the degree to which such risks have been eliminated or brought under control in line with management-approved recommendations; performing follow-up reviews in situations where more detailed investigations and examinations are necessary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### Benefits Provided to Senior Executives During the Reporting Period

“Senior management” is defined as consisting of the chairman and members of the Company’s Board of Directors, general manager and assistant general managers.

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

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

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

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

#### OTHER ISSUES

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

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

A number of lawsuits that have been filed against or in favor of the Company are currently being litigated. These suits are concerned primarily with receivable-, rent-, or business-related issues. At the end of each reporting period, the Company’s management reviews and

assesses the potential consequences and financial impact of such litigation and, based on its best judgment, provisions are set aside to cover likely losses or gains. Detailed information about such matters is provided in the footnote 15 of the consolidated financial statements. The Company is not a party to any mutual cross-shareholding.

Other issues related to corporate governance principles are presented below.

#### a) Company Disclosure Policy

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

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

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

In order to ensure that shareholders and other stakeholders have convenient access to public disclosures such as presentations, press releases, and press conferences, such materials are also published on the Company’s corporate website at [www.migroskurumsal.com](http://www.migroskurumsal.com). Information publicly disclosed through the Public Disclosure Platform is also sent to financial data providers and to printed and visual media. Statements about issues that may have an impact on the Company’s future prospects are also publicly disclosed through the channels indicated above depending on their nature and as required by laws and regulations.

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

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

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

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

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

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

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

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

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

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

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## c) Disclosure of Ultimate Controlling Individual(s) Shareholder(s)

The shareholding structure of Migros is presented below.

**Shareholder Structure**

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

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

There are no preferred shares.

Information about changes in the Company's capital structure taking place during the year was publicly disclosed immediately through the Public Disclosure Platform system. Such changes are also announced in the pertinent sections of the Company's 2015 annual report.

Under Material Events Communique II-15.1, material event disclosures must be made by any company chairman, board member, general manager, or assistant general managers, by any individual with significant decision-making responsibilities and authorities, by any shareholder who directly or indirectly

controls more than 5% of the Company's capital or voting rights, and by anyone acting in concert with any of these whenever they purchase or sell shares in Migros. No such dealings of this nature occurred during the reporting period.

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

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

##### Board of Directors

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

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

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

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

##### e) Silent Period

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

### f) BIST Sustainability Index of Borsa İstanbul

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

### g) Relations with Customers and Suppliers

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

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

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

Migros has conducted a Customer Satisfaction Survey regularly since 1994. In 2015 survey, 4,052 of our customers who shop at our stores were asked about their opinion. The analyses undertaken on the survey results help us to have an idea about the current and future expectations of our customers. Occasional surveys conducted at kiosks inside the stores on specific matters provide the Company with the chance to hear the customers and their expectations.

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

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

- Migros was awarded ISO 9001 Quality Management System certification in August 2005
- Migros was awarded TS EN ISO 22000 Food Safety Management System certification by the Turkish Standards Institution (TSI) in December 2006. This certification covers retail, wholesale and online sales services as well as design and provision of organizational and logistic support services.
- Migros selects each of its suppliers after conducting appropriate due diligence. Suppliers are audited by reputable independent organizations and products are subjected to periodic quality audits.
- In November 2013, the perspective of the Company's integrated quality management system was expanded with the inclusion of ISO 10002 Customer Satisfaction Management System certification.
- Since the day it was founded, Migros has striven to surpass its customers' expectations and to respond immediately to their requests. ISO 10002 certification is evidence of the Company's commitment to the principle of customer satisfaction. The system makes improvements in service quality possible based on internal and external customer feedback.
- Migros obtained OHSAS 18001 Occupational Health and Safety Management System certification in July 2015 and thus became the first food retailer holding four certificates granted by the TSE (Turkish Standards Institution) within the scope of Quality Management Systems.
- Migros has espoused "Good Agricultural Practices" expressed by the motto "GOOD AGRICULTURE = GOOD FUTURE", which is one of the Company's social responsibility initiatives in the area of "health", and an agricultural model that is designed to be socially viable, economically productive, while protecting human, animal and environmental health.
- On 17 November 2009, Migros became the first retailer in Turkey to be awarded GAP group certification. The Company has continued to abide by GAP principles and its certification has been renewed every year since then.
- Having made internationally recognized food safety standards the touchstone of its practices and operations, Migros has adopted the mission of supplying wholesome products under safe conditions in order to guarantee the unreserved confidence of its customers. In line with this goal, food products are carefully and constantly monitored and controlled from initial procurement until they reach the consumer.
- Under Migros' Supplier Performance System, the production premises of all food suppliers are systematically inspected and monitored through food safety management systems. Products are randomly sampled and subjected to quality control analyses at regular intervals.
- Every new product to be put on sale at the Company's stores undergoes preliminary quality control performed by quality experts.
- Before they enter the Company's warehouses, goods received from suppliers are subjected to detailed organoleptic, chemical, and physical analysis based on 104 quality control parameters defined for each product by quality control experts. Goods that do not meet these stringent quality standards are rejected.
- Cold chain assurance, one of the most essential criteria in achieving food safety, is constantly monitored online at every stage from distribution center and storage, during shipment, and until it reaches the final consumer.
- Every food product that is put on Migros' shelves is randomly sampled and subjected to quality control analyses at regular intervals by accredited independent laboratories to ensure compliance with the Turkish Food Codex and with applicable laws, regulations, and administrative provisions.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Non-food imported products such as toys, stationery, textiles etc. are subjected to strict controls. Prior to their importation, the Company has these goods analyzed at accredited independent laboratories to ensure that they are safe and contain no harmful substances such as phthalate plasticizers or azo compounds.
- Migros-labeled food and non-food items are subjected to even stricter controls. Such goods are not put on sale until and unless their places of production, labeling, and other applicable parameters have been checked and their compliance with laws and regulations has been established. Even after they appear on the shelves, Migros reviews product safety by means of analyses performed at regular intervals.
- Products on shelves are regularly checked by a team of store quality specialists. During such checks, attention is given not just to cold chain continuity, labeling, and expiration dates but also to compliance with food safety system requirements.
- Personnel employed at all the stores attend training programs on hygiene in order to ensure quality safety.
- The Company's stores are subjected to unannounced inspections performed by accredited independent agencies within the scope of integrated quality management systems, so as to ensure the safety of products sold to customers.
- In the promotional program of the Company we call "Aksiyon", products are offered for sale at discount prices for a period of 15 days
- All customer suggestions received at the stores or the Call Center are evaluated and the results are communicated to customers as soon as possible. Customers can forward their complaints quickly and easily to company store managers via a toll-free customer line and by e-mail which can be sent to managers at all levels.
- In keeping with its objective of being a technological leader and making life easier through innovations, Migros has in place "self-checkout" solution "Jet kasa" in a large number of its stores. Customers who prefer to use "Jet kasa" avoid waiting in line and can check-out by themselves in three easy steps. As the number of customers using 'Jet kasa' increases by the day, so does the number of stores featuring this facility.

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

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

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

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

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

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

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

