

**CORPORATE
GOVERNANCE
PRINCIPLES
COMPLIANCE
REPORT
2018**

MiGROS

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
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Customer Care Line	444 10 44

To have its corporate governance rating renewed, the Company executed a new contract covering 2 (two) rating terms on 20 October 2017 with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a corporate governance rating company holding a license from the Capital Markets Board of Turkey (CMB) to perform rating in accordance with the Corporate Governance Principles in Turkey.

In the report issued by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on 28 December 2018, our Company’s corporate governance rating, which was assigned as 9.58 (95.77) on 29 December 2017, was updated as 9.58 (95.81%), in view of the improvements

carried out by the Company during the reporting period.

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

Included in Borsa İstanbul Corporate Governance Index on 4 January 2016, Migros was included in the Sustainability Index, which is also calculated by Borsa İstanbul, from the first day the index was introduced. For five consecutive years, Migros was the one and only company from the food retailing industry to take place in the “BIST Sustainability Index”, which is based on a review of publicly-floated companies conducted by Borsa İstanbul.

Having qualified to be included in the FTSE4Good Emerging Index for the third consecutive time, Migros was named among CDP Turkey Climate Leaders for two years in a row with its plan for the fight against climate change that it has submitted to the CDP (Carbon Disclosure Project).

Headings	Weight	Assigned Score (%)
Shareholders	25%	95.67
Public Disclosure and Transparency	25%	98.01
Stakeholders	15%	99.51
Board of Directors	35%	92.75
Average	100%	95.81

Hüseyin Faik Açıklalın

Kamilhan Süleyman Yazıcı

Recep Yılmaz Argüden

Affan Nomak

PART I - 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 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 charged 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 20 June 2018, Hüseyin Faik Açıkalin, Kamilhan Süleyman Yazıcı, Recep Yılmaz Argüden and Affan Nomak were elected to seats on the Corporate Governance Committee. Independent Board member Hüseyin Faik Açıkalin functions as the Committee Chairman.

Our corporate website (www.migroskurumsal.com) is updated daily in order to provide 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 stakeholders. 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 and on the Company's page on the Public Disclosure Platform (KAP).

Within the scope of the efforts to achieve alignment with corporate governance principles in 2018;

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).

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' résumés, the Board of Directors' profit distribution proposal and profit distribution table, reasons for proposal against profit distribution if applicable, draft amendments to the articles of association with old and new texts presented, internal guidelines for General Assembly meetings etc. is also made available to shareholders on the corporate website at www.migroskurumsal.com. In compliance with the Turkish Commercial Code, with capital market laws and regulations, and with corporate governance principles communiqes, the Board of Directors has set up an Early Detection of Risk Committee. Tom Heidman, Talip Altuğ Aksoy and Hüseyin Faik Açıkalin were elected to be the members of the Early Detection of Risk Committee.

As required by CMB regulations, independent board member Tom Heidman was elected to its head.

Our Company has become a member of the Investor Relations Association (TÜYİD) in 2012 and of the Corporate Governance Association of Turkey (TKYD) in 2016.

Pursuant to the Capital Markets Board of Turkey (CMB) resolution no. 2/49 dated 10 January 2019, Corporate Governance Compliance Reporting, which is made under the Corporate Governance Communiqué no. II-17.1, shall be made using the Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) on the Public Disclosure Platform (KAP).

The said reports can be reached under the Corporate Governance tab on the KAP website. (<https://www.kap.org.tr/en/sirket-bilgileri/ozet/1494-migros-ticaret-a-s>)

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PART II - 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.

The main duties and responsibilities of the Investor Relations Department are as follows;

- 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;
- Represent the Company;
- Represent the Company before such agencies as the Capital Markets Board (CMB), Borsa İstanbul, 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 to the extent allowed by the Company's disclosure policy;
- 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;
- Contribute to the initiatives and efforts regarding sustainability.
- Coordinate the changes and developments in relation to Borsa İstanbul Corporate Governance and Sustainability Indices, in which the Company is included,
- Handle the processes related to the Company's corporate bond issuances,
- The Investor Relations Department

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

Additionally, the Corporate Governance Committee makes quarterly presentations on the Company's corporate governance practices and investor relations activities.

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

Assistant General Manager for Finance:

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 Executive:

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 250 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 2018 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: 86
- Board of Directors resolutions passed: 33
- Domestic and international conferences and roadshows taken part in: 10
- Analysts and fund managers met with during the year: 250+

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 28 March 2018, it was decided according to the proposal by our Audit Committee that PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. be elected as the independent audit company for the 2018 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 2018, the firm of PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., which had been selected by the Board of Directors.

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 20 June 2018, a resolution was passed to reconstitute the Audit Committee as a two-person body whose members are both independent board members and İzzet Karaca and Şevki Acuner were elected to fill these seats. As also required by Capital Markets Board regulations, İzzet Karaca 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. Care is taken to use a lucid language in the General Assembly agenda and to state each proposal under a dedicated heading. General assembly meeting announcements are published in the Turkish Trade Registry Gazette, on the Public Disclosure Platform (KAP), on the Central Registry Agency's electronic general assembly portal (e-GEM) and e-Company portal, and on the Company's corporate website so as to give all shareholders convenient access to these announcements. Additionally, a general assembly meeting information document containing detailed information about agenda items that are to be discussed at the meeting is also published on the Company's corporate website at www.migroskurumsal.com, on the electronic General Meeting System (e-GEM) and e-Company portal.

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

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

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.

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Annual General Assembly Meeting

The annual general assembly meeting at which Migros' 2017 activities and accounts were examined took place on 15 May 2018 at 15:00 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 Kadir Aslan, who had been charged with this duty by the Ministry of Customs and İstanbul Trade Directorate letter 34326313 dated 14 May 2018.

2017 balance sheet and income statement, the Board of Directors' annual report, draft amendment to the articles of association, independent auditors' report, and proposal for the distribution of the year's dividends were made available for the examination of shareholders at the Company's headquarters, on its corporate website at www.migroskurumsal.com, and on the electronic general assembly portal during the three weeks preceding the meeting.

An examination of the attendants list showed that 14,306,708,401.55 shares out of a possible 17,803,000,000 corresponding to TRL 143,067,084.02 of the Company's TRL 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 and at the e-company portal. Additionally, the general assembly meeting's minutes were also promulgated in issue 9595 of the Turkish Trade Registry Gazette on 07 January 2018. 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's charitable donations during 2017 amounted to TRL 348,231.20. During the year, food was donated to the Food Banking for distribution to underprivileged individuals, and donations were made to various organizations such as the Turkish Educational Foundation, World Wildlife Fund - Turkey and Koç University.

In 2017 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 and takes maximum care to make sure that the Company's minority rights are exercised in view of the applicable legislation and the provisions of the articles of association.

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), and at KAP and the CRA's e-GEM portal and is also published in the Turkish Trade Registry Gazette 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.

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."

At an annual general assembly meeting of Migros held on 15 May 2018, it was proposed against distributing profit for 2017 fiscal year since the Company's consolidated financial statements for 2017, which were drawn up in accordance with the Turkish Commercial Code and CMB requirements, showed a net profit for the period of TRL 509,036,463.45 (parent's share: TRL 512,706,101.23), that the profit be set aside as extraordinary reserves, and the General Assembly passed a resolution to that effect.

2.6 Transfer of Shares

The Company's articles of association contain no provisions restricting the transfer of its shares.

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.

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. 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) 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 the main headings of "Sustainability Report", "Migros Corporate", "Migros – Kipa Merger Documents", "Financial Reports", "The Increase of Company Capital and Distribution of Dividends", "Information about the 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" is also available at our corporate website. 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

Our Company's shareholding structure as of 31 December 2018 is as follows:

Shareholder structure

Shareholder	Share (%)	Share Amount (TRL)
MH Perakendecilik ve Ticaret A.Ş.	49.18	89,046,058
Kenan Investments S.A.	14.88	26,937,336
Moonlight Capital S.A.	7.94	14,371,000
Migros Ticaret A.Ş.	1.64	2,962,116
Other	26.37	47,737,723
Total	100.00	181,054,233

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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.

PART IV - STAKEHOLDERS

4.1 Informing Stakeholders

Migros corporate governance practices observe stakeholders' rights as embodied in laws and regulations and in its contractual agreements. 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. Policies and procedures concerning stakeholders' rights (Anti-Bribery and Anti-Corruption Policy, Compensation Policy, Responsible Supplier Policy, etc.) are posted on the corporate website. 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 require.

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.

Necessary mechanisms have been set up to let stakeholders report any violations of laws and regulations by the Company and any involvement by the Company in dealings that may be unethical, if applicable. 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 such issues.

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 employees' participation in management is regulated by internal guidelines. Article 7 of "The Company's Responsibilities toward its Employees" section of the Migros Code of Conduct reads as follows: "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."

Accordingly, management of Migros gives a great deal of attention towards the achievement of this goal. Stakeholders' opinions are sought in material decisions bearing impact with respect to them. As part of our business conduct, 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 electronically via intranet, the Company's internal communication platform.

The management body, through which our employees are represented at our stores, is the Workplace Union Representative committees. In addition to overseeing the enforcement of the provisions of the collective bargaining agreement, Workplace Union Representatives discuss the complaints and requests communicated by our employees or by our Company with the employer representatives. In addition, they are also represented in various committees such as the Occupational Health and Safety Committee on which they are members, and on committees set up for various projects.

A "Working Life Assessment Survey" is conducted every year by an independent research company in order to measure and further improve the levels of Migros employees' job satisfaction and company loyalty. The findings from the survey form the basis of new administrative decisions to be made each year.

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An annual Goal-Awareness Workshop is conducted in order to ensure that the Company's targets and strategies are fairly, equally, and clearly understood by all Migros employees. Representatives attending the workshop have a direct impact on the determination of the Company's annual goals. The goals setting the main strategy of the Company are objectively deployed across all departments.

9 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.

The Company has espoused an employment policy providing equal opportunities and succession planning for all key managerial positions. The said planning is reviewed every year by the senior management.

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:

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 abroad 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' 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.

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).

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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.

11 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 consumers 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 its inception. 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 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 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.

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, except Özgür Tort. 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 2018 and the nominees have been presented in a report to the Board of Directors on 16 February 2018.

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 set a target (25%) for reassignment of women members on the Board of Directors in the years ahead, and has made a recommendation in writing to the Board of Directors. The Board of Directors is planning accordingly in this respect. As a matter of principle there are no barriers to or limitations on women serving as members of the Board of Directors.. 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.

Resumes of the Board Members

Tuncay Özilhan

Born 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. He still serves as the

Board of Directors

Name	Title	Appointed on	Term
Tuncay Özilhan	Chairman (Non-executive)	15.05.2018	1 Year
Nikolaos Stathopoulos	Vice Chairman (Non-executive)	15.05.2018	1 Year
Salih Metin Ecevit	Member (Non-executive)	15.05.2018	1 Year
Talip Altuğ Aksoy	Member (Non-executive)	15.05.2018	1 Year
Kamilhan Süleyman Yazıcı	Member (Non-executive)	15.05.2018	1 Year
Stefano Ferraresi	Member (Non-executive)	15.05.2018	1 Year
Salim Abdullah Khalfan Al Ma'mari	Member (Non-executive)	15.05.2018	1 Year
Ömer Özgür Tort	Member and General Manager (Executive)	15.05.2018	1 Year
İzzet Karaca	Independent Member (Non-executive)	15.05.2018	1 Year
Hüseyin Faik Açıklan	Independent Member (Non-executive)	15.05.2018	1 Year
Şevki Acuner	Independent Member (Non-executive)	15.05.2018	1 Year
Tom Heidman	Independent Member (Non-executive)	15.05.2018	1 Year

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Chairman of the Board of Directors of Anadolu Group, a position he has taken over in May 2007. Mr. Özilhan also served as Anadolu Group Executive Chairman until February 2017, to which position he was appointed in 1984.

Outside positions held

Anadolu Group Chairman Mr. Özilhan also sits as the Chairman on the boards of directors of Anadolu Foundation and various Anadolu Group Companies. After serving as the Chairman of TÜSİAD (Turkish Industry and Business Association) from 2001 to 2003, Tuncay Özilhan currently functions as the 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, and President of the Anadolu Efes Sports Club. Mr. Özilhan has also been honored with "The Order of the Rising Sun, Gold and Silver Star", one of the most important decorations conferred by the Japanese government, and with a medal by the Republic of Estonia, Ministry of Foreign Affairs.

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 20 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.

Salih Metin Ecevit

Salih Metin Ecevit graduated from the Faculty of Political Sciences in 1967 and received his master's degree in economics from the Syracuse University (USA) 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. He served as Board Member and Chairman of the Association of Imported Car Distributors in Turkey from 1992 to 2004.

Outside positions held

He is a board member in many Anadolu Group companies

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Talip Altuğ Aksoy

Talip Altuğ Aksoy received his bachelor's degree in economics from Oglethorpe University in USA. He began his career as Assistant Finance Specialist at Anadolu Group in 1995 and was appointed as a Finance Specialist in 1996. Mr. Aksoy worked as Human Resources and Treasury Specialist from 1998 to 2000. He served as Director of Sales and Marketing at Efes Invest from 2000 to 2003 and was appointed Director of Trade and Export at Efes Beer Group in January 2003. Continuing his career at the Group as the Director of Purchasing and Logistics from 2006, Mr. Aksoy was appointed Director of Supply Chain of Efes Beer Group in June 2008, in which position he served until 1 November 2011. In November 2011, he was appointed Efes Turkey Managing Director and served in this position until 1 January 2017.

Outside positions held

Mr. Aksoy still continues to serve as a Board Member in various Anadolu Group companies.

Kamilhan Süleyman Yazıcı

Kamilhan Yazıcı holds a bachelor's degree in business administration from Emory University in USA, an MBA degree from AIBEC (American Institute of Business and Economics) in Russia and has completed the GMP program at Harvard Business School. Having started his career in Anadolu Group Finance Department in 2000, Mr. Yazıcı later worked in Anadolu Efes Russia Marketing Department between 2003 and 2005, and was appointed New Product Development Manager in 2005. Having continued his career in Russia as Logistic Systems Manager from 2006 to 2008, Mr. Yazıcı was appointed Supply Chain Director in 2008 and Development Director in 2010. Mr. Yazıcı assumed the role of Anadolu Efes Moldova Managing Director from 2011, and was appointed Market Development Director in Anadolu Efes Headquarters in 2014, a position he held until April 2017.

Outside positions held

Mr. Yazıcı currently serves as a Board Member and Vice-Chairman in Anadolu Group companies.

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.

Salim Abdullah Khalfan Al Ma'mari

Born in 1988 in Oman, Salim Abdullah Khalfan Al Ma'mari graduated from Sultan Qaboos University in Oman. Having started his professional life at Ernst & Young in Oman, he worked for General Electric and Export Credit Guarantee Agency (ECGA) between 2013 and 2016. He has been holding a senior executive position at the State General Reserve Fund in Oman since January 2016. Mr. Al Ma'mari has been a member of the Board of Directors at Migros since 28 July 2016.

Ömer Özgür Tort

Ö. Özgür Tort joined Migros Türk T.A.Ş. in 1996 in the Business Development Department, where he held managerial positions in Project Management, International Investments Coordination and CRM. Mr. Tort worked as Assistant General Manager of Sales and Marketing at Migros' subsidiary in the Russian Federation from 2002 to 2006. In 2006, he carried on with his career as Assistant General Manager of Human Resources at Migros Group. Having specialized in all aspects of retail management in his career, he has become the General Manager of Migros in 2008.

Ö. Özgür Tort sits on the board of directors of the Consumer Goods Forum, the world's largest retail industry network of label manufacturers. After getting his undergraduate degree in industrial engineering from İstanbul Technical University, he went to US for graduate studies. He got his master's degree in engineering management from the University of Missouri. He is married and has one child.

Mr. Tort has been serving as the General Manager of Migros since August 2008, where he is also a board member.

Outside positions held

Ömer Özgür Tort is the Chairman of the Board of Sanal Merkez Ticaret A.Ş., a subsidiary of Migros Ticaret A.Ş. He is a Board member at Consumer Goods Forum. Ömer Özgür Tort is also a board member at Trade Council of Shopping Centers and Retailers (in Turkish: AMPD).

Independent Board Members**İzzet Karaca**

Born in 1954, İzzet Karaca received his degree in industrial engineering from Boğaziçi University in 1977. He started his professional career the same year at Koç Research and Development Centre. He held Industrial Engineer and IT Manager position until 1985. From 1985 to 1988, he served as Systems and Organization Director at Ford Otosan. From 1988, he held several positions at Unilever in Germany, Turkey and Baltic States including Internal Audit Group Manager, Logistics Manager, Commercial Director and Managing Director.

From 2011 to 2013, Mr. Karaca served as Chairperson of International Investors Association. After serving as the Executive Chairman at Unilever Turkey and Unilever NAMET RUB (North Africa, Middle East, Russia, Ukraine and Belarus) region, and as member of Unilever CEO Forum, he retired on 31 December 2013.

In 2015, he published his first book titled "The New CEO is... You".

Izzet Karaca 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.

Hüseyin Faik Açıkalin

After receiving his degree in business administration from the Faculty of Economic and Administrative Sciences at the Middle East Technical University in 1987, Hüseyin Faik Açıkalin began his professional life and banking career as an assistant specialist at Interbank. He worked in various positions including internal auditor, customer relationship manager, branch manager and marketing manager at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank between 1992 and 1998. In May 1998, he joined Dışbank (subsequently named Fortis upon the acquisition of Dışbank by the international finance group Fortis) as Executive Vice President, and later that year, he was appointed as an executive director responsible for the coordination and communication between the Board of Directors and business units. Having started to function as a member of the Credit Committee at the same time, Açıkalin assumed the roles of Deputy Chief Executive Officer and Board member of Dışbank in June 1999. Appointed as CEO and Executive Director in December 2000, he continued to serve as CEO of Dışbank when it was renamed Fortisbank following the acquisition of Dışbank by Fortis Group. In the same period, he also began assuming roles in the international management of Fortis.

In October 2007, he resigned from his duties at Fortisbank and became Chief Executive Officer at Doğan Gazetecilik, a media holding company, before being appointed as an Executive Director of Yapı Kredi Board of Directors and Chief Executive Officer in April 2009. After serving as the CEO of Yapı Kredi from May 2009 until December 2017, Açıkalin was assigned as Managing Director and CEO at Koç Finansal Hizmetler in 2010, in tandem with his ongoing roles. In

addition to his existing functions, he was brought to the position of Koç Holding Banking and Insurance Group President in August 2011. Furthermore, he served as the Chairman of Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland NV, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Malta, Yapı Kredi Bank Moscow, Yapı Kredi Koray REIT, and Koçfinans, as Deputy Chairman of Banque de Commerce et de Placements S.A. and Allianz Life and Pension, and as Board member of the Banks Association of Turkey.

Hüseyin Faik Açıkalin qualifies as an independent member according to the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

Şevki Acuner

After receiving his degree in business administration from Boğaziçi University in 1976, Şevki Acuner got a Graduate Diploma from the Stockholm University and then an MBA from the Concordia University in Montreal. Having started his banking career at the Central Bank of the Republic of Turkey, he then worked at the Bank of Montreal in Canada and later at the Royal Bank of Canada in various countries. He has been functioning in various roles at the European Bank for Reconstruction and Development (EBRD) since 1996. Having played a key role in the launch of EBRD's Turkey operations in 2009, he served as Deputy Country Director for Turkey at EBRD until 2013, during which post he was based in İstanbul. He has been serving as EBRD's Director for Ukraine based in Kiev since 2013. Acuner has fulfilled Board of Directors member role as the Bank's representative in a number of EBRD's equity investments.

Having served as the President of the Turkish Bankers Association – United Kingdom (TBA) for many years during his career in London, Acuner led the EBRD's growth in our country within the frame of his position in İstanbul. Acuner takes

place among the leading supporters of the country's economic transformation and the leaders of the finance world in Ukraine. Among his many responsibilities are functioning as the Chairman of the Board of the Business Ombudsman Council, board member at public companies and Head of the Nomination Committee responsible for appointment of CEOs, and Deputy Chairman of the Board of the American Chamber of Commerce in that country.

Şevki Acuner qualifies as an independent member according to the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

Tom Heidman

Born in 1959 in Amsterdam, the Netherlands, Tom Heidman received his degree in business administration and economics from Erasmus University Rotterdam, followed by an MBA from the Delft University of Technology. He began his professional life in 1987 at Albert Heijn, one of the largest supermarket chains in the Netherlands. He joined the Gall & Gall company in 1990, where he served as General Manager between 1994 and 1997. Tom Heidman functioned in various roles at Albert Heijn between 1997 and 2002.

Having joined Retail Network company in 2002 as CEO, Heidman was named the CEO of Logo International in 2006. Having assumed the position of CEO at Schuitema B.V. from 2009 to 2012, Heidman worked as CEO of Vion N.V. company from February 2015 until August 2015.

Tom Heidman qualifies as an independent member according to the CMB's Corporate Governance Principles. He is not related in whatsoever manner to Migros Ticaret A.Ş. and/or its related parties.

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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 2017, 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.

İzzet Karaca

Hüseyin Faik Açıkalın

Şevki Acuner

Tom Heidman

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 2018 the Migros Board of Directors passed 33 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 2018. 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 and the Articles of Association.

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 25 million have been taken out on board members and senior executives in 2018. This matter has been announced on KAP.

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.

The duties and authorities of board members and managers are defined in the Company's articles of association.

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. 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 2018 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

a. Audit Committee

At a meeting of the Board of Directors held on 20 June 2018, it was decided that the Audit Committee should consist of two independent board members and that İzzet Karaca and Şevki Acuner were elected to fill these seats. In compliance with CMB regulations, İzzet Karaca was chosen to serve as committee chairman.

Audit Committee

İzzet Karaca	Committee Chairman	Independent Member	Non-executive
Şevki Acuner	Member	Independent Member	Non-executive

17 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.

Operating Principles of the Audit Committee

Purpose and Scope

Set up under the Capital Market legislation, the Audit Committee reports to the Board of Directors.

The purpose of the Audit Committee is to verify that the Company's accounting and reporting system runs in accordance with applicable laws and regulations, to supervise the audit and public disclosure of financial information, and the operation and efficiency of independent audit and internal control system.

Authority

The Audit Committee is formed and authorized by the Board of Directors, which also sets out its duties and operating principles. As and when it deems necessary, the Audit Committee seeks opinion from independent experts regarding its activities, and the cost of necessary advisory services are borne by the Company.

The Audit Committee acts within the frame of its authorization and responsibilities, and makes recommendations to the Board of Directors, which is ultimately responsible for the final decision at all times.

Detailed information about the Committee structure and meetings, duties and responsibilities, basis and enforcement is provided under the Investor Relations tab on our corporate website. (www.migroskurumsal.com)

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 20 June 2018, the board decided to elect Hüseyin Faik Açıklan, Kamilhan Süleyman Yazıcı, Recep Yılmaz Argüden and Investor Relations Group Manager Affan Nomak as the members of the Corporate Governance Committee. In compliance with CMB regulations, the board also decided to appoint Hüseyin Faik Açıklan to head the committee.

Corporate Governance Committee

Hüseyin Faik Açıklalın	Committee Chairman	Independent Member	Non-executive
Kamilhan Süleyman Yazıcı	Member	Not an Independent Member	Non-executive
Recep Yılmaz Argüden	Member	Not an Independent Member	AG Anadolu Grubu, Member of the Board of Directors
Affan Nomak	Member	Not an Independent Member	Investor Relations Group Manager

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 Communiqué 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.

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 communiqué 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 at least four times a year.

Operating Principles of the Corporate Governance Committee

Purpose and Scope

Set up under the Capital Market legislation, the Corporate Governance Committee reports to the Board of Directors.

In line with the CMB Corporate Governance Communiqué (II-17.1), the purpose of the Corporate Governance Committee is to establish whether corporate governance principles are implemented at our Company, the reasons for non-implementation, if applicable, and

conflicts of interest resulting from failure to achieve complete alignment with these principles. The Committee is responsible for suggesting improvements regarding corporate governance practices to the Board of Directors and for overseeing the activities of the Investor Relations Department.

Pursuant to the Corporate Governance Communiqué, the Corporate Governance Committee fulfills the functions of the Nomination Committee and the Remuneration Committee, as well.

Authority

The Corporate Governance Committee is formed and authorized by the Board of Directors, which also sets out its duties and operating principles. As and when it deems necessary, the Corporate Governance Committee seeks opinion from independent experts regarding its activities, and the cost of necessary advisory services are borne by the Company.

The Committee acts within the frame of its authorization and responsibilities, and makes recommendations to the Board of Directors, which is ultimately responsible for the final decision at all times.

Detailed information about the Committee structure and meetings, duties and responsibilities, basis and enforcement is provided under the Investor Relations tab on our corporate website. (www.migroskurumsal.com)

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

c. Early Detection of Risk Committee

At a meeting of the Board of Directors held on 20 June 2018, it was decided to elect Tom Heidman, Talip Altuğ Aksoy and Hüseyin Faik Açıkalin 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, Tom Heidman was designated as the committee's head.

Early Detection of Risk Committee

Tom Heidman	Committee Chairman	Independent Member	Non-executive
Talip Altuğ Aksoy	Member	Not an Independent Member	Non-executive
Hüseyin Faik Açıkalin	Member	Independent Member	Non-executive

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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.

Operating Principles of the Early Detection of Risk Committee**Purpose and Scope**

Set up under the Capital Market legislation and in accordance with Article 378 of the Turkish Commercial Code, the Early Detection of Risk Committee reports to the Board of Directors.

The purpose of the Early Detection of Risk Committee is to early detect the risks that may threaten the existence, development and survival of the Company, to implement the necessary measures in relation to identified risks, and to manage the risk.

Authority

The Early Detection of Risk Committee is formed and authorized by the Board of Directors, which also sets out its duties and operating principles. As and when it deems necessary, the Early Detection of Risk Committee seeks opinion from independent experts regarding its activities, and the cost of necessary advisory services are borne by the Company.

The Early Detection of Risk Committee acts within the frame of its authorization and responsibilities, and makes recommendations to the Board of Directors, which is ultimately responsible

for the final decision at all times.

Detailed information about the Committee structure and meetings, duties and responsibilities, basis and enforcement is provided under the Investor Relations tab on our corporate website. (www.migroskurumsal.com)

5.4 Risk Management and Internal Control Mechanisms**Borrowings**

As at 31 December 2018, TRL equivalent of the Company's loan payables is TRL 4,570,097 thousand.

The repayment schedule for the nominal principal amount of the Company's financial payables as at 31 December 2018 is as follows:

(TRL thousand)	Tenge loan (TRL equivalent)	Euro loan (TRL equivalent)	TRL Loan	Total (TRL equivalent)	Share (%)
1 January 2019- 31 December 2019	2,776	569,455	412,854	985,085	21.7%
1 January 2020- 31 December 2020	13,631	698,872	166,532	879,035	19.4%
1 January 2021- 31 December 2021	16,290	828,333	128,967	973,590	21.4%
1 January 2022- 31 December 2022	15,894	983,625	64,084	1,063,603	23.4%
1 January 2023 - 12 September 2023	3,517	595,333	38,786	637,636	14.0%
	52,108	3,675,618	811,223	4,538,949	100.0%

Risk Management

Pursuant to the applicable provisions of the Turkish Commercial Code, the Early Detection of Risk Committee, which is charged with early diagnosis of risks that may threaten the existence, development and survival of the Company, and with ensuring that necessary actions are taken in relation to those risks, carried on with its activities in 2018.

Within the scope of the activities conducted with the Company employees, the Committee follows up various risk indicators, which have been created to ensure identification of the risks that could preclude the achievement of the Company's strategic business goals, to monitor the factors that make up these risks, to determine and measure the probability and impact of the risks, and follows up the risk criteria deemed important.

Within the scope of the activities conducted with the Company employees, the Committee has identified the major types of risks that the Company may be exposed to. Various risk indicators have been created to monitor and measure the factors that make up these types of risks. These risk indicators are analyzed and followed up by the related Company units, and changes are monitored by the Risk Committee. In periodic meetings, the Risk Committee evaluates whether appropriate actions have been taken.

Internal Audit

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

- Effective utilization of the resources of the Company,
- Effectiveness of the internal control mechanisms on operations,
- 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 basic activities of the Internal Audit Department consist of, among others, investigating/examining activities and transactions which involve previously identified and reported risk elements in order to ascertain the degree at which such risks have been eliminated or taken under control in line with management-approved recommendations, and repeating the audit in cases where detailed investigations and examinations are necessary.

Any problems that may be discovered during the course of audit activities are investigated in detail to allow adoption of necessary measures while recommendations are also made for compensating the Company's ascertained loss. Necessary changes to the system and processes so as to prevent recurrence of similar incidents make up the focal point of these efforts.

In line with the annual internal audit plan created according to the risk-based audit universe, the Internal Audit Department conducted financial and operational audits of various departments and processes in 2018. Assessments and recommendations resulting from the audits were submitted to Company's senior management in the audit reports prepared, and were also addressed in the Audit Committee meetings for pointing out the improvement areas in line with the continuous development philosophy. The Internal Audit Department also conducted follow-up audits on issues about which senior management was previously informed and for which measures were agreed upon.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

5.5 Mission, Vision and Strategic Goals of the Company

The Company's vision is to be always the first choice of customers by providing a unique convenience and trustworthy shopping experience.

The Company's mission is to provide a unique shopping experience through its ultimate service approach, pioneer applications, broad product portfolio and family budget friendly pricing strategy, and to create value for all stakeholders through its eco friendly and community-focused operational approach.

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 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 the members of the Board of Directors are discussed as a separate agenda item at general assembly meetings. At a general assembly meeting held on 15 May 2018, shareholders voted to pay independent board members a total annual remuneration of TRL 110,000 (net) in monthly installments, to pay independent board members residing abroad an additional attendance fee of TRL 8,000 (net) for each board meeting they attend, and not to pay any monthly salary or attendance fees to other board members. The remuneration of independent board members involves neither company stock

options nor company performance-based compensation plans. All the benefits provided to senior executives are declared in the footnotes to the financial statements.

The Remuneration Policy applicable to members of the Board of Directors and senior executives was published on the corporate website at www.migroskurumsal.com.

Benefits Provided to Senior Executives During the Reporting Period

"Senior management" is defined as the chairman and members of the Company's Board of Directors, general manager and assistant general managers.

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.

Details concerning benefits provided to senior executives are presented below.

(TRL thousand)	2018	2017
Short-term benefits provided to employees	38,595	31,971
Total	38,595	31,971

OTHER ISSUES

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

According to the agreement signed by and between our Company and Tez-Koop trade union last year, the collective bargaining agreement covers the period between 1 May 2017 and 31 December 2019

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 Communiqué 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,
- 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 Turkish Trade Registry Gazette 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. Information publicly disclosed through the Public Disclosure Platform is also sent to financial data providers and to printed and visual media.

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, Public Disclosure Platform announcements are used to make such disclosures, depending on their nature; in order to ensure that shareholders and other stakeholders have

convenient access to such disclosures, they are also published on our corporate website at 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. 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, 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

b) Material Event Disclosures

During 2018 the Company submitted 86 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 2018, presentations and bulletins concerning them were published on the Company's corporate website at www.migroskurumsal.com to inform shareholders. The Public Disclosure Platform has been notified that the said information was posted on the corporate website.

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

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

The shareholding structure of Migros is presented below.

Shareholder structure

Shareholder	Share (%)	Share Amount (TRL)
MH Perakendecilik ve Ticaret A.Ş.	49.18	89,046,058
Kenan Investments S.A.	14.88	26,937,336
Moonlight Capital S.A.	7.94	14,371,000
Migros Ticaret A.Ş.	1.64	2,962,116
Others	26.37	47,737,723
Total	100.00	181,054,233

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

Shareholder	Share Amount (TRL)	Share (%)
BC Partners	33,449,020.53	18.47
Süleyman Kamil Yazıcı	18,366,305.46	10.14
Tülay Aksoy	15,524,852.95	8.57
Tuncay Özilhan	15,261,228.98	8.43
DeA Capital	7,185,164.98	3.97
Süleyman Vehbi Yazıcı	2,605,695.49	1.44
Vahit Yazıcı	2,030,467.72	1.12
Hidayet Yazıcı	1,929,829.26	1.07
Nilgün Yazıcı	1,849,198.62	1.02
Fazilet Yazıcı	1,833,892.60	1.01
Gülten Yazıcı	1,832,040.31	1.01
Gülşen Yazıcı	1,815,022.88	1.00
Turkish Private Equity Fund II	1,361,211.03	0.75
AG Anadolu Grubu Holding A.Ş. Other	27,478,581.52	15.18
Total	132,522,512.33	73.19

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 2018 annual report.

Under the Material Events Communiqué II- 15.1, material event disclosures must be made by the Company's Chairman, board members, general manager, or assistant general managers, by any shareholder who directly or indirectly controls 5% or more of the Company's capital or voting rights, or by anyone acting in concert with any of these whenever they purchase or sell Migros shares. 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. Information about the individuals who have access to insider information about the Company is provided below.

Board of Directors

Tuncay Özilhan	Chairman
Nikolaos Stathopoulos	Vice-Chairman
Salih Metin Ecevit	Member
Talip Altuğ Aksoy	Member
Kamilhan Süleyman Yazıcı	Member
Stefano Ferraresi	Member
Salim Abdullah Khalfan Al Ma'mari	Member
Ömer Özgür Tort	Member and General Manager
İzzet Karaca	Independent Member
Hüseyin Faik Açıkalın	Independent Member
Şevki Acuner	Independent Member
Tom Heidman	Independent Member
Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager
Ferit Cem Doğan	Assistant General Manager
Olca Yılmaz Nomak	Assistant General Manager
Cem Lütfi Rodoslu	Assistant General Manager
Hakan Şevki Tuncer	Assistant General Manager
Tarık Karlıdağ	Assistant General Manager
Mustafa Murat Bartın	Assistant General Manager
Kerim Tatlıcı	Assistant General Manager
Bülent Kuntay	Assistant General Manager

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In addition to the Company's Board of Directors and Senior Management, individuals serving in director position, Financial Affairs department managers, and reporting managers at the Company have access to inside information due to their functions.

Under Article 7 (5) of the Material Events Communiqué (II-15.1), our Company makes sure that individuals with access to inside information are aware of their obligations in relation to such information stemming from the Law and applicable legislation, as well as the sanctions related to their misuse.

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

e) Silent Period

The Chief Executive Officer, Chief Financial Officer, 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.

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

Taking place in the BIST Sustainability Index since November 2014 - October 2015 period when the index was started to be calculated, and the only food retailer company in it, Migros continues to take place in the index in the November 2018- October 2019 period. The Company's sustainability activities can be reached under the Sustainability tab on the corporate website and under the Sustainability Report tab on the Investor Relations page.

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. Many customers who shop at our stores are 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 upon an inspection conducted by the Turkish Standards Institution (TSI), its first quality management system certificate.
- Migros was awarded TS EN ISO 22000 Food Safety Management System certification in December 2006 upon an inspection conducted by the TSI, its second quality management system certificate.
- Migros selects each of its suppliers after conducting appropriate due diligence. Suppliers are audited by accredited independent organizations and products are subjected to periodic analyses both at the time of the acceptance of goods and also at accredited laboratories thus ensuring their quality control and regulatory compliance.
- Migros continued to work on processes, was inspected by the TSI, and further expanded its perspective of integrated quality management systems by obtaining the ISO 10002 Customer Satisfaction Management System certification in November 2013.
- Migros has also certified its commitment to the principle of "Customer Satisfaction". TS ISO 10002 Customer Satisfaction Management System certification enables improvement of product and service quality based on customer feedback.
- Migros established its "Occupational Health and Safety Management Processes" and obtained OHSAS 18001 Occupational Health and Safety Management System certification in July 2015 upon an inspection conducted by the TSI.
- In 2016, Migros established its Environmental Management System processes, and qualified to receive TS EN ISO 14001 Environmental Management System certificate upon an inspection conducted by the TSI. With this certification, Migros became the first food retailer holding five certificates granted by the TSI (Turkish Standards Institution) within the scope of Quality Management Systems.
- In 2017, Migros switched to ISO 9001:2015 Quality Management System version.
- The Company continued with its Quality Management System activities in 2018; accordingly, the activities of the Internal Audit Division unit were audited and ISO 9001 Quality Management System Certificate was obtained exclusively for the Internal Audit Division. The certification provided standardization of the domestic and overseas internal audit, assurance and consultancy activities performed by our Internal Audit Division at our units, and establishment of a continuously improving structure.
- For the purpose of offering high quality products to its customers, Migros obtained FSSC 22000 Food Safety Management System certificate for its MİGET and Gebze Meat Production Plants in addition to the management systems in place at the meat processing facilities carrying out production.
- Being the first food retailer holding five certifications awarded by the TSI since 2016, Migros enjoys the deserved pride of being the first food retailer holding seven certifications granted by the TSI as of 2018.
- Migros had the data covered under the headings "Human Rights (Discrimination, Right to Organize and Collective Bargaining, Child Labor, Forced or Compulsory Labor)" in its Sustainability Report released in 2017 verified by Ernst&Young in line with the GRI Guidelines in 2018, and thus received "External Assurance Statement".
- 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 and non-food suppliers are systematically inspected and monitored using globally recognized BRC and SEDEX-based checklists within the scope of quality and product safety management systems. Products are randomly sampled and subjected to quality control analyses at regular intervals.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Every new product to be put on sale at the Company's stores undergoes preliminary quality control performed by quality experts and only those products approved by the quality control are put on sale.
- Before they enter the Company's warehouses, goods received from suppliers are subjected to detailed organoleptic, chemical, and physical analysis based on many 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.
- 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 second-party 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 called "Aksiyon", products are offered for sale at discount prices for a period of 15 days in all the stores.
- All customer requests, suggestions and complaints received at the stores or via the Call Center are evaluated and the results are communicated to customers as soon as possible. In order to offer an easier and more practical channel for customer communications, a system is in place for easily reaching company store managers, the toll-free customer line and by e-mail, which can be sent to managers at all levels.

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.

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.

j) Research & Development Activities

R&D costs incurred by the Company during 2018 amounted to TRL 20,955 thousand (2017: TRL 15,297 thousand).

Having received R&D Center certificate from the Ministry of Science, Industry and Technology, Migros Ticaret A.Ş. has continued with technical research and development activities in business development and software during 2018.

Under the Migros R&D center, Migros administrative units develop new initiatives for the improvement of processes in relation to retailing activities carried out at Store and Distribution Centers or for creation of new processes. Mostly entailing innovative solutions and smart systems integrated with technology, the applications also serve to touch our customers and suppliers.

k) Events after the Balance Sheet Date

Information on the events after the balance sheet date (subsequent events) is presented in the Consolidated Financial Statements and Independent Auditor's Report for the period 1 January - 31 December 2018.

MİGROS TİCARET A.Ş.
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