

CORPORATE GOVERNANCE

1. Declaration of Compliance in accordance with Corporate Governance Principles

The Capital Markets Board of Turkey requires from all listed companies on the Istanbul Stock Exchange a declaration regarding their compliance with the recommended Corporate Governance Principles. In case of non-compliance the companies are obliged to state the necessary explanations in their Corporate Governance Compliance Report.

In this regard, we declare that all mandatory recommendations of the Corporate Governance Principles, issued by the Capital Markets Board of Turkey, have been complied. With regards to the non-mandatory recommendations we have continued to act in accordance and any deviations have been explained in the respective section of the report. The company will strive to improve any deficiencies and continue its efforts to fully comply with the Corporate Governance Principles under changing circumstances.

In 2013, the Corporate Governance Committee effectively started its activities. Furthermore, the General Assembly information document together with the report on related parties, the curriculum vitas of candidates for Board Membership, the statement of dividend distribution and amendments to the articles of association and other information required to be disclosed were provided to the shareholders before the General Assembly meeting.

Section I-Shareholders

2. Shareholder Relations Unit

In order to enable an accurate, complete and efficient communication with its shareholders, BİM's Finance department launched in 2005 an 'Investor Relations' Unit. The executive of this Unit is responsible for meeting capital market requirements and coordinating the Company's corporate governance practices. Further, the executive holds an Advanced Level Capital Market Activities License as well as a Corporate Governance Rating Expertise License.

Investor Relation contact details:

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The main activities of the Unit are:

- to ensure that records of the shareholders are kept in an orderly manner and that the inquiries by the shareholders regarding the Company, except for publicly undisclosed data and trade secrets, are processed immediately through all available communication channels,
- to ensure that the General Assembly meetings are held in accordance with the legislation and to prepare the documents to be presented to shareholders at the General Assembly meeting,
- to observe the public disclosure policies of the Company,
- to carry out the preparatory work for financial results and annual reports
- to manage communications with all regulatory institutions and to monitor relevant legal legislation changes.

Throughout the previous period, the Unit attended five brokerage conferences and held around 150 one by one meetings in the conferences and corporate headquarters as well. During these conferences and meetings the Company provided information to investors and shareholders about the Company's operating results and its performance.

The contact details of the Shareholder Relations Unit may be found on the Company's website (www.bim.com.tr). All inquiries and questions made to the Unit through communication channels such as phone, fax and e-mail were meticulously answered during the previous period.

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3. Shareholder's Right to Information

All inquiries made by shareholders, except those related to trade secrets and publicly undisclosed data, were responded carefully in accordance with the legislation of the Capital Markets Board of Turkey. These requests were mostly related to information on the General Assembly, dividend payments, and inquiries on financial data, overseas investments and about the Company's future goals. The Company assures that shareholders have been treated and informed equally and any information that would have an impact on the shareholder's rights is not disclosed on the Company's website (www.bim.com.tr).

Furthermore, information requests from institutional investors and analysts were met throughout the year via various communication channels such as teleconferences and one-to-one meetings. Every quarter, the day after the announcement of financial data, teleconferences were held in order to inform shareholders and analysts and answer their respective questions. Four teleconferences in total were organized in the previous year. The details of these teleconferences were shared via e-mail to those who in the Company's database. There is no provision in the Articles of Association that sets down the request for the appointment of a special auditor as an individual right. There was no request for the appointment of a special auditor during the present period.

4. Information on the General Assembly

The Ordinary General Assembly Meeting of BİM Birleşik Mağazalar Anonim Şirketi for 2012 was held on May 15, 2013, Wednesday at 10:00 am at the Company headquarters located at Abdurrahmangazi Mahallesi Ebubekir Caddesi Nr: 73 Sancaktepe, Istanbul under the supervision of Hüseyin Çakmak, Commissary of the Ministry, who was appointed with the communiqué dated May 14, 2013 Nr. 15322, issued by the Istanbul Provincial Directorate of Commerce.

The announcement to convene the General Assembly is made in the way to attain highest level of shareholder participation. The invitation to convene and the meeting agenda, as stipulated by law and the Articles of Association was announced in the Turkish Trade Registry Gazette numbered 8301 and dated April 16, 2013. In addition, the information was made public on the Company's website (www.bim.com.tr) and the Electronic General Assembly System three weeks before the meeting day. The General Assembly Information Document containing the curriculum vitas of candidates for Board Membership, Report on Transactions with Related Parties, Statement of Dividend Distribution and amendments to the Articles of Association was disclosed to public through the Public Disclosure Platform, e-General Assembly System and the Company's website.

Out of 151,800,000 shares corresponding to the Company's total capital of TL 151,800,000. TL 40,835,919 shares were represented in person and TL 56,466,507 by proxy equaling to a total of TL 97,302,426 shares being represented during the meeting. The minutes of the General Assembly meeting were announced in the Turkish Trade Registry Gazette numbered 8338 and dated 10th of June 2013. There is no loss of company capital or deep-in-debt situation.

The minutes of the General Assembly meeting in Turkish and their translations into English are published on the Investors Relations section of the Company's website (www.bim.com.tr). They were also made available to shareholders for examination at the Company headquarters. The questions asked orally and through e-general assembly system by shareholders were answered orally in detail, and no suggestions were made by the shareholders during the meeting. Members of the media did not attend the meeting. Decisions taken in the General Assembly were executed within the activity period.

The provision that the Capital Market Board's regulations on corporate governance shall be complied with for transactions considered to be important with respect to the implementation of the Principles of Corporate Governance is included in the Company's Articles of Association.

During the General Assembly meeting, information on the amount and beneficiaries of donations and aids was provided to shareholders as a separate agenda item, although the Company does not have a written policy on donations and aids. In 2013 activity period the amount of donation and aid made is TL 3,605,076. Extraordinary General Assembly was not held within the activity period.

5. Voting Rights and Minority Rights

All Company shares are issued as bearer shares. There is no voting privilege right in shares, while the shareholders are provided the opportunity to exercise their voting rights in the easiest and most appropriate manner. During both the Ordinary and the Extraordinary General Assembly meetings, shareholders of the Company or their proxies are entitled to one vote per share they hold. Shareholders may appoint a proxy to vote on behalf of them at the General Assembly. Voting by proxy is subject to the regulations of the Capital Markets Board, and there are no provisions in the Company's Articles of Association that prevents non-shareholders to vote on behalf of shareholders. There are no mutual affiliate relationships among the Company's capital.

The provision that minority rights shall be used in accordance with the Capital Markets Legislation and the regulations issued by the Capital Markets Board is included in the Articles of Association,

and the minority rights are represented through the independent members of the Board of Directors in the Company's management. Cumulative voting system is not applied by the Company.

6. Dividend Rights

There is no privilege granted for corporate profit sharing. The dividend distribution policy of the Company has been determined as the distribution of a minimum of 30% of the distributable profit yielded during the related years by the General Assembly, and was made public in 2007 through a material disclosure and no changes have been made to the policy till to date. In case of any changes to this policy, it will be made public through material disclosure. The dividend policy is published in the Company's website.

As there are no privileged voting rights defined in the Company's Articles of Association, there are no privileges in dividend distribution. The timeline for dividend distribution is determined in line with the provisions of the Turkish Commercial Code and Capital Markets Legislation by the General Assembly upon the proposal of the Board of Directors. Dividend distribution for 2012 was realized as TL 220,110,000 in cash within the legal period.

7. Transfer of Shares

Shares are transferred in accordance with the provisions of the Turkish Commercial Code and other related legislations. There are no provisions in the Articles of Association that limits the transfer of shares.

Section II-Public Disclosure and Transparency

8. Disclosure Policy

The Company's Disclosure Policy, which came into effect following its approval by the Board of Directors on April 9, 2009, aims at providing information to beneficiaries in compliance with the regulations of the Capital Markets Board and the Istanbul Stock Exchange.

The disclosure policy has been disclosed to public through the Company's website (www.bim.com.tr) both in Turkish and English, and the names and contact details of personnel responsible for the execution of the disclosure policy have been provided in Article 2 of the said report.

When disclosing future information to the public, assumptions and the underlying retrospective realisations are disclosed together with such information. In case it becomes evident that predictions cannot be realized, such information will be revised.

9. Company's Website and Its Contents

The Company's website address is www.bim.com.tr and it is actively used for public disclosure purposes. The Investors Relations section of the Company's website is also available in

English in order to inform foreign investors. Pursuant to the Turkish Commercial Code numbered 6102, the Company's website was registered and announced in the Turkish Trade Registry Gazette dated October 9, 2013.

Such feasible subjects from among those listed under the Article 2.1.1 of the Corporate Governance Principles are published on the Investor Relations section except table of participants

10. Annual Report

Pursuant to the legislations of the Capital Markets Board and the Turkish Code of Commerce, the Company discloses its Annual Report quarterly through the Public Disclosure Platform and the Company's website. Although the interim reports are limited to the developments that occur during the periods in question, the Annual Report is prepared with paying the utmost attention to the items included in the Corporate Governance Principles so that the public shall have complete and accurate information regarding the operations of the Company. The items from among those included in the Corporate Governance Principles that are not included in the annual report are as follows:

- Information regarding the attendance of the members of the Board of Directors to the meetings of the Board of Directors.
- Assessment of the committees' activities by the Board of Directors

Section III-Stakeholders

11. Disclosure to the Stakeholders

In accordance with the current legislations and the Company's disclosure policy, the stakeholders are regularly informed about matters concerning them, except trade secrets, through appropriate channels of communication such as the Company's website, the domain allocated for the Company on the Central Registry Agency's (CRA) e-company portal and press releases.

The e-mail and phone contact details are provided on the Company's website for stakeholders who would like to get in touch. Stakeholders, who wish to gather information through these channels, make inquiries or provide information with regards to acts that are against the legislations of the Company or that are unethical, are able to contact the relevant unit manager. Inquiries and requests for information are answered in timely manner. Similar means of communication are being used in order to reach both the Audit Committee and the Corporate Governance Committee, and no special mechanism has been put into action.

Company shareholders or potential shareholders, investment banks and analysts are able to communicate directly with the Investor Relations Unit through the contact details listed on the website and their inquiries are being responded immediately.

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12. Participation of the Stakeholders in the Management

Although the Company has not defined any model regarding the participation of stakeholders in management, the independent members of the Board of Directors enable the representation of all stakeholders as well as the shareholders in the management.

Feedback received from both the customers and suppliers through various means of communication are reviewed by the management and actions are taken as necessary.

The Company strives to attain high-level participation in the decision-making process by its employees as stakeholders. In this regard, meetings are held in order to increase efficiency and to achieve improvements with regard to issues concerning the employees, and the suggestions are evaluated by senior management.

Furthermore, employees are encouraged to openly communicate their complaints, criticisms and suggestions to their respective managers regarding the working methods of the unit they are employed.

13. Human Resources Policy

BİM Personnel Regulations provide guidelines for maintaining working order in line with the objectives of the organization, personnel rights and the regulation of general principles of working conditions. The Personnel and Administrative Affairs units at the 38 regional warehouses and headquarters manage the employee relations.

Providing its employees a pleasant and fair working environment, which offers them the opportunity to take initiative, train and develop themselves professionally are among the priorities of the Company's Human Resources Policy. In addition, employees are encouraged to openly communicate their complaints and criticisms to the relevant units, which have to take necessary actions immediately.

The Company utilizes both internal and external resources to meet the training needs of its employees.

The job descriptions as well as performance and rewards criteria are communicated to the employees. There were no complaints from the employees with regard to discrimination during the previous period.

14. Ethical Rules and Social Responsibility

Expectations from employees, executives and suppliers are clearly identified at the Goals of the Organization which was shared with all employees. However, these expectations and rules are not disclosed to the public. Procedures to follow in the Company with regards to general and specific issues are meticulously implemented and updated as necessary.

In 2013, BİM committed the construction of a school at Hopa of Artvin, as a social responsibility project, and it will be completed and opened in 2014.

The Company is not involved in any production operation. Plastic and cardboard waste is forwarded to licensed recycling companies who are engaged in recycling of packaging waste.

As of 2010, biologically degradable (oxo-bio) bags are used at all stores in order to minimize environmental damage resulting from shopping bags offered to customers.

In order to inspect the quality control of its product range, BİM works in coordination with the Quality System Laboratory, Observatory Laboratory, Eurolab and the TÜBİTAK Research Institute. TÜBİTAK carries out chemical and biological tests on products sold at BİM stores and performs strict quality controls at the production facilities.

In addition, quality tests are carried out at the Istanbul headquarters as well as regional offices through the sampling method. Before offering a new product for sale, quality and taste tests are performed. Similar tests are made on equivalent and competitive products in order to compare the results.

The Company also gives great importance to food safety. BİM A.Ş. guarantees that all the products that are sold comply with the minimum official standards set forth in relevant legislations, and takes responsibility in this respect.

Providing reliable products that meet customers' needs in the most affordable way while efforts are made to continuously improve its product quality in a timely manner is one of the main company policies.

Section IV-Board of Directors

15. The Structure and Formation of the Board of Directors

The management and representation of the Company is performed by the Board of Directors. The Board of Directors is composed of minimum 5 (five) and maximum 9 (nine) members elected

by the General Assembly, and the number and qualifications of the independent members to sit on the Board of Directors are determined in accordance with the regulations in relation to corporate governance set forth by the Capital Markets Board. According to these regulations, the number of independent members has to be 1/3 of the total number of members at a minimum. During the Ordinary General Assembly meeting held on May 15, 2013, 6 (six) members were elected to sit on the Board of Directors for a period of one year. Two of the said members are independent members of the Board of Directors, who possess the qualifications indicated in the Communiqué Regarding the Determination and Application of Corporate Governance Principles (Series II, Nr. 17.1). The names and biographies of the members of the Board of Directors as well as the positions they assume outside the Company are provided in the Annual Report under the heading of "Board of Directors and the Executive Committee".

Corporate Governance Committee's report on candidates for independent membership, issued on February 6, 2013 was submitted to the Board of Directors on February 20, 2013 and on the same day the Board adopted the recommendation for submission of the report to the General Assembly.

Independent members of the Board of Directors have declared the following:

I declare that

a) neither have I, nor my spouse or anyone among my relatives to the third degree, by blood or by marriage, have established relations in the last five years in the form of direct or indirect employment, capital (10%) or significant commerce with Bim Birleşik Mağazalar A.Ş., one of the affiliates of Bim Birleşik Mağazalar A.Ş., or with legal entities that are affiliated either in the form of management or in terms of capital to shareholders, who hold, directly or indirectly, 5% or more of the shares of the capital at Bim Birleşik Mağazalar A.Ş.;

b) I have not worked for those companies that carry out, in part or in full, the activities or organization of Bim Birleşik Mağazalar A.Ş. within the framework of the existing agreements, primarily those that audit, rate, or provide consulting services for Bim Birleşik Mağazalar A.Ş., or have been a member of the Board of Directors at these companies within the last five years;

c) I have not worked for, be a partner of, or a member of the Board of Directors of those companies that supply significant amount of products and services to Bim Birleşik Mağazalar A.Ş. within the last five years;

d) I do not hold more than 1% of the shares of Bim Birleşik Mağazalar A.Ş.;

e) I have the professional education, knowledge and experience to carry out the duties I would assume as a result of becoming an independent member of the Board of Directors;

f) I do not work full time for any public institution or organization;

g) I am considered resident in Turkey in accordance with the Income Tax Law;

h) I have strong ethical standards, professional reputation and experience that would enable me to make positive contributions to the operations of Bim Birleşik Mağazalar A.Ş., to keep my impartiality during times of conflict of interest among the partners of the Company, to decide independently by taking the benefit rights into consideration;

i) I shall devote enough time for the activities of Bim Birleşik Mağazalar A.Ş., enough to follow the operations of Bim Birleşik Mağazalar A.Ş. and to fully carry out the duties I would assume.

Upon retirement of the CEO of the Company on January 1, 2010, an Executive Committee was formed to take over the powers and responsibilities of the CEO. The Company's Chairman of the Board of Directors also serves as the Chairman of the Executive Committee. The reason underlying the choice of one and the same individual for both positions is to enable the Company move faster and more effectively during the decision-making process and to attain a dynamic organization structure. The remaining 5 (five) members of the Board of Directors do not hold executive positions.

As, when carrying out written transactions without the authorization of the General Assembly, the members of the Board of Directors are subject to the approval of the General Assembly according to the Articles 395 and 396 of the Turkish Commercial Code, during the Ordinary General Assembly held on May 15, 2013, the members of the Board of Directors were permitted to carry out transactions pursuant to the relevant articles of the Turkish Commercial Code.

There are no restrictions for the members of the Board of Directors to assume other duties outside the Company, except for those cases where the independence of the independent members of the Board of Directors may be affected within the framework of the criteria set forth in the Corporate Governance Principles.

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16. Operating Principles of the Board of Directors

As indicated in the Articles of Association, the Board of Directors meets at intervals that would allow for them to perform their duties in an efficient manner. The date for the next Board of Directors meeting is scheduled according to the availability of the members during the previous Board of Directors meeting.

The Chairman of the Board of Directors determines the agenda of the meetings by consulting other members of the Board of Directors and the Chief Executive Officer/General Manager. The agenda of the Board of Directors is formed according to arising needs and requirements. The members pay attention to attend each meeting and present their opinions. In order to provide equal information flow, information and documents related to the items of the agenda of each Board of Directors meeting are presented to the review of the members of the Board of Directors in due time before the date of the meeting.

The Chairman of the Board of Directors makes his best effort in assuring the effective participation of the non-executive members to the meetings of the Board of Directors. In the cases of dissent, the reasonable and detailed justification for the counter vote is made available by the members of the Board of Directors to be entered in the decision record. The Board of Directors may give its decisions through the members written consent (in the form of a letter, or via fax) or even without holding a meeting and only by having the members decisions through a signature only.

The board of directors' meeting and quorum is subject to the Turkish Code of Commerce and capital markets regulations. The board chairman's secretary is responsible for informing and the communication with the board of directors. Although the members of the Board of Directors have equal rights to vote, they do not hold the right to veto.

With regard to transactions that may be deemed significant and with regard to any and all affiliated party transactions as well as transactions in relation to warranties, pledges or mortgages to be provided for the benefit of third parties or in such cases when there is no approval from the majority of the independent members, which should be in accordance with the corporate governance regulations of the Capital Markets Board and in line with the public disclosure principles, the information is disclosed to the public. There are no disclosures made in this regard during 2013.

The Board of Directors virtually convened ten times in 2013, and on thirty-three further occasions, it has taken decisions with the consent of the members without holding a meeting in accordance with the Article 390/4 of the Turkish Code of Commerce. No counter vote was cast against the decisions taken.

17. The Number, Structure and the Independency of the Committees Formed Within the Board of Directors

Pursuant to the Corporate Governance Principles issued by the Capital Markets Board, an Audit Committee and a Corporate Governance Committee has been formed within the Board of Directors.

The Audit Committee is formed to ensure that the Board of Directors is carrying out its duties and responsibilities in a healthy manner and according to the situation the Company is in and the needs of the Company. The audit Committee presents its reports to the Board of Directors on a quarterly basis. Two independent members were appointed to the two seats at the Audit Committee and the members do not hold any other executive position at the Company.

The Corporate Governance Committee consists of three members which two are independent. One of independent member's holds the chairman position. The members do not hold any executive position at the Company. The Corporate Governance Committee also assumes the duties and responsibilities of the Nomination Committee, the Early Risk Identification Committee and the Remuneration Committee, all of which were stipulated to be established in the related legislations. According to the structure of the Board of Directors, both independent members of the Audit Committee are also among the members of the Corporate Governance Committee. The Corporate Governance Committee meets at least once a year.

The working principles of both committees and the names of their respective members have been disclosed to the public through the Company's website.

18. Risk Management and Internal Control Mechanisms

Taking the risks it is exposed to as well as the relevant preventive measures into consideration, BİM has developed "policies" and "procedures" in relation to its business processes. Further, the Company has performed functional task distribution within the organization, inserted the approval and authorization mechanisms into the processes and regulated the methods for protection and settlement of the Company's tangible assets within the scope of risk management and internal control mechanisms. Moreover, it has established efficient reporting and supervision practices during the same period.

The Company has set up an Internal Audit Unit that reviews the efficiency of risk management, internal control and corporate governance processes in a systematic and disciplined approach in order to improve its efficiency and the to achieve its goals.

The Internal Auditing Unit reports to the Audit Committee which is comprised of independent members of the Board of Directors. The Unit identifies the major potential risks and the deficiencies in the internal control and reports the measures to be taken towards reducing these risks to the relevant management units. The Unit then reports the actions taken and their outcomes to the senior management and to the Audit Committee.

All operations of the Company are included within the responsibilities of the Internal Audit Unit and are audited according to annual plans which are prepared according to the outcomes of risk evaluation process. Implementation procedures have been defined by all stages of the internal control process, and the Unit carries out its operations within this framework.

The compliance and the efficiency of the reviews of the consolidated financial tables, which are prepared on a quarterly basis in accordance with the Capital Markets Legislation, as well as reassuring the Audit Committee in this regard, are also among the duties of the Internal Audit Unit.

The Corporate Governance Committee assumes the duties and responsibilities of the Early Risk Identification Committee. In this regard, the Committee carries out operations for the early identification of risks that would endanger the existence, development and the continuation of the Company and the implementation of necessary measures in relation to identified risks as well as risk management.

19. Strategic Goals of the Company

The Company aims at attaining high-level efficiency in the hard discount food retail industry and expanding into other countries where this concept could be implemented. Offering quality products at all times, increasing operational efficiency, price reduction, increasing the share of private label products among the product portfolio, and decreasing the costs by improving the efficiency of the suppliers are also among the Company's goals.

The Board of Directors approves the annual budget and reviews to what extent the objectives in the budget are met by analyzing the financial data on a monthly basis. Besides annual objectives, upon the request of the Board of Directors, the management prepares long-term strategic plans on both domestic and overseas operations and submits these to Board of Directors for review.

20. Financial Rights

The principles for compensation for the members of the Board of Directors and senior executives have been disclosed to the public through the Company's website and the Public Disclosure Platform.

Pursuant to the decisions of the General Assembly, an honorarium is paid for the members of the Board of Directors. The Company does not provide loans, credits or benefits of such kinds to the members of the Board of Directors or its executives.

The total of financial rights such as honorariums, fees, premiums and bonuses for a total of 93 people comprising the members of the Board of Directors and senior executives was net TL 15,526,193 (1.839.392 bonus, 162.000 per diem, 13.524.801 wage) in 2013. The executives do not receive dividends.