



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 1. Declaration of Compliance in Accordance with Corporate Governance Principles

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

In this regard, we declare that all mandatory recommendations of the Corporate Governance Principles Serial: II-17,1, published on January 03, 2014, by the Capital Markets Board of Turkey, has been complied with. Regarding non-mandatory recommendations, we have continued to act in accordance with these. The company will strive to improve any deficiencies and continue its efforts to fully comply with the Corporate Governance Principles under changing circumstances. There is no conflict of interest arising from the non-complied issues of the Corporate Governance Principles specified below:

- General Assembly meetings are not open to the public, and participants at meetings are listed in the internal directive.
- Articles of Association include a provision stipulating that minority rights are to be respected in compliance with the regulations of the Capital Markets Law and Capital Markets Board. Accordingly, no less than one-twentieth of the capital was assigned for minority rights.
- Although there is no written "compensation policy" for company employees, policies regarding this issue are implemented in compliance with the labor law legislation, and the utmost attention is paid to protecting employee rights in practice.
- Although the company has not defined any model regarding the participation of stakeholders in management, independent members of the Board of Directors enable the representation of all the stakeholders as well as shareholders. Furthermore, the Investor Relations Department ensures coordination between the stakeholders and company management. The proposals and requests of these stakeholders are submitted for the information of management.
- The attendance status of members of the Board of Directors to meetings and the assessments of the Board of Directors regarding the effectiveness of committees are not included in the company's annual report.
- There is no issue in the Articles of Association regarding the separation of the powers of the Chairman of the Board of Directors and Chairman of the Executive Committee. In the current organizational structure of the company, the Chairman of the Board of Directors performs the duties of the Chairman of the Executive Committee. This issue and its justification was publicly disclosed on the 15<sup>th</sup> of April 2015 via disclosure of material matters. In order to make the company's decision-making processes more efficient, and to foster a more dynamic organizational structure, it has been preferred to have the same person holding both positions.
- There are no female members in the Board of Directors and there is no policy established regarding this issue.
- Due to the preferences of the members, the meetings of the Board of Directors are held physically and it is not possible to attend these meetings via electronic platforms.
- Although the duties performed outside the company by the Members of the Board of Directors are not subject to specific rules, the detailed résumés of members are presented for the information of shareholders at the General Assembly.
- In accordance with the structure of the Board of Directors, some members can hold positions in more than one committee.

- Pursuant to the Corporate Governance Principles, the total amount of the remuneration paid to the members of the Board of Directors and executive managers and all other granted benefits are publicly announced in the annual report. However, these announcements are not made on an individual basis.

Within the scope of the tasks performed in the area of Corporate Governance in 2015:

- Company's Aid and Donation Policy was approved and put into effect at the ordinary General Assembly Meeting held on the 15<sup>th</sup> of April 2015. According to the policy, a limit of 0.1% (one thousandth) of the sales amount in the latest annual financial statements, was determined for donations to be made. General assembly has the power to change this limit.
- In 2015, losses incurred in the company by the members of the Board of Directors as a result of their faults during their term of office, were insured with an employers' liability insurance.
- Disclosure of material matters made via Public Disclosure Platform (KAP), are being announced also in English since the beginning of 2015.

## Section I-Shareholders

### 2. Investor Relations Department

In order to enable accurate, complete, and efficient communication with its shareholders, BİM's finance directorate launched an Investor Relations Department in 2005. The executive of this unit is responsible for meeting capital market requirements and coordinating the company's corporate governance practices. Furthermore, the executive holds a Capital Market Activities Level 3 License as well as a Corporate Governance Rating License.

The managers in charge of the Investor Relations Department with administrative responsibility are:

Member of the Executive Committee and CFO, Chairman of Executive Committee of FİLE  
Haluk Dortluoğlu  
Phone: +90 216 564 03 46

Investor Relations and responsible employees listed below:

Reporting and Investor Relations Manager  
Serkan Savaş  
Phone: +90 216 564 03 46  
E-mail: serkan.savas@bim.com.tr

Reporting and Investor Relations Specialist  
Fatih Uzun  
Phone: +90 216 564 03 46  
E-mail: fatih.uzun@bim.com.tr

The main activities of the unit are:

- To ensure that records of the shareholders are kept in an orderly manner and that 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 General Assembly meetings are held in accordance with appropriate legislation and to prepare the documents to be presented to shareholders at the General Assembly meeting.
- To pursue the public disclosure policies of the company.
- To carry out preparatory work for financial results and annual reports.
- To contact with regulatory bodies and monitoring relating legislations
- Preparing and presenting reports at least once a year to the Board of Directors regarding the activities carried out over the year.

Throughout the previous period, the unit attended four brokerage conferences and held around 100 one-on-one meetings at conferences and at corporate headquarters. During these conferences and meetings, the company provided information to investors and shareholders about the company's operating results and its performance. In addition, a report regarding investor relations activities carried out in 2015 was presented to the Board of Directors on the 11<sup>th</sup> February 2016.

The contact details of the Investor Relations Department may be found on the company's website ([www.bim.com.tr](http://www.bim.com.tr)) at investor relations. All inquiries and questions addressed to the unit through communication channels such as phone, fax, and email were meticulously responded to over the period in question.

### 3. Shareholders' Right to Information

All inquiries made by shareholders, except those related to trade secrets and publicly undisclosed data, were responded to 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 regarding financial data, new retail model of the company, overseas investments, and the company's future goals. The company assures that shareholders have been dealt with and informed equally, and that any information that would affect shareholders' rights is not disclosed on the company's website ([www.bim.com.tr](http://www.bim.com.tr)).

Furthermore, information requests from institutional investors and analysts were met throughout the year using various communication channels, including teleconferences and one-to-one meetings. Each quarter, the day after the announcement of financial data, teleconferences were held to inform shareholders and analysts and to answer their respective questions. Four teleconferences in total were organized in 2015. The details of these were shared via email to addresses in the company's database. There is no provision in the Articles of Association that establishes requests for the appointment of a particular auditor as an individual right. There was no request for the appointment of a specific auditor over the period in question.

### 4. Information on the General Assembly

The Ordinary General Assembly Meeting of BİM Birleşik Mağazalar Anonim Şirketi for 2014 was held on Wednesday April 15, 2015, at 10:30am at the company headquarters at Abdurrahmangazi Mahallesi Ebubekir Caddesi Nr: 73 Sancaktepe, Istanbul, under the supervision of Hüseyin Çakmak, Commissary of the Ministry, who was appointed in the communiqué dated April 13, 2015 Nr. 7251507, issued by the Istanbul Provincial Directorate of Commerce.



# CORPORATE GOVERNANCE

The announcement to convene the General Assembly was made in a manner designed to maximize shareholder participation. The invitation to convene and the meeting agenda, as stipulated by law and the Articles of Association, were announced in the Turkish Trade Registry Gazette numbered 8785, dated 24<sup>th</sup> of March, 2015. In addition, the information was made public on the company's website ([www.bim.com.tr](http://www.bim.com.tr)), and in the e-general assembly system three weeks before the meeting day. The General Assembly Information Document containing the curriculum vitae of candidates for Board Membership, the Report on Transactions with Related Parties, the Statement of Dividend Distribution, and Aids & Donations policy, was disclosed to the public through the Public Disclosure Platform, the Electronic General Assembly System, and the company's website three weeks prior to the meeting date.

Out of 303,600,000 shares correspond to the company's total capital of TL303,600,000. In the event, TL 77,545,460 shares were represented in person, and TL 190,014,108 shares were represented by proxy, bringing the total number of shares represented during the meeting to TL 267,559,568. The minutes of the General Assembly meeting were announced in the Turkish Trade Registry Gazette numbered 8821, dated 15<sup>th</sup> of May 2015. There was no loss of company capital or deep-in-debt situation reported.

As per the 10<sup>th</sup> Article of the Corporate Governance Communiqué with Series N. II - 17.1 of the Capital Markets Board, and Article 1.3.6. of the "Corporate Governance Principles" section in the same Communiqué, the report prepared by the Board of Directors regarding the frequent and continuous transactions executed with the related parties was physically and electronically presented to the shareholders.

In the conclusion section of the report, shareholders were informed that the terms and conditions of the transactions BİM Birleşik Mağazalar A.Ş. carried out in 2014 with the related parties specified within the scope of the International Accounting Standard N.24 did not show significant differences with respect to the "arm's length principle," and that they had concluded there was no issue with executing transactions from the related parties with the same terms and conditions in 2015 as well.

Company's Aid and Donation Policy was discussed and approved at the general assembly meeting. According to the policy, a limit of 0.1% (one thousandth) of the sales amount in the latest annual financial statements, was determined for donations to be made. General assembly has the power to change this limit. At the General Assembly Meeting, on a separate agenda item information was presented to the shareholders about the amount of aid and donation made

within the period and those who benefit. During the year 2015, the Company spent a total of TL 4,543,611 in donations and aid as part of its donation and aid policy, and this total is below the threshold of 0.1% (one thousandth) of sales that was set by the General Assembly.

The minutes of the General Assembly meeting in Turkish and their translations into English are published in the Investors Relations section of the company's website ([www.bim.com.tr](http://www.bim.com.tr)). They were also made available to shareholders for examination at the company headquarters. The questions asked orally and through the Electronic General Assembly System by shareholders were answered in detail, and no suggestions were made by shareholders during the meeting. Members of the media did not attend the meeting. Decisions taken in the General Assembly were executed within the period in question.

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.

No Extraordinary General Assembly meeting was held within the period in question.

## 5. Voting Rights and Minority Rights

All company shares are issued as bearer shares. There is no voting privilege right that comes with shares, and shareholders are provided with the easiest and most appropriate opportunities to exercise their voting rights. During both the Ordinary and 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. There are no mutual affiliate relationships among the company's shareholders.

The provision that minority rights shall be used in accordance with the Capital Markets Legislation and the regulations issued by the Capital Markets Board are included in the Articles of Association and a share that less than one-twentieth of the capital isn't determined for the minority rights. Minority rights are represented by the independent members of the Board of Directors in the company's management.

## 6. Dividend Rights

There is no privilege granted for corporate profit sharing. The dividend policy of the company was revised and approved by the General Assembly on the 22<sup>nd</sup> of April 2014 and was announced to the public on the same date. Within the scope of the dividend policy, the General Assembly decided to distribute at least 30% of the distributable profit that will be calculated according to the regulations of the Turkish Code of Commerce and the Capital Markets Board.

The dividend policy is available in the Investor Relations section on the company's corporate website. 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 of TL 273,017,000 was realized in two installments within the legal period in 2015.

## 7. Transfer of Shares

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

## Section II-Public Disclosure and Transparency

### 8. Information Policy

Company's Information Policy was approved and put into effect by the Board of Directors on the 27<sup>th</sup> of March 2014, and was presented to the information of the shareholders at the General Assembly Meeting held on the 22<sup>nd</sup> of April 2014. The policy was publicly announced via Public Disclosure Platform and Company's website. According to the policy, in all cases of disclosing a subject "unknown to the public", relevant Executive Board Members, CFO and Investor Relations Manager, examine the issue and take necessary action within the framework of the Company's Information Policy.

Forecasts for 2015 were disclosed to the public through an events disclosure on March 4, 2015. The projections were developed by considering the Company's store opening rate, the growth in domestic and overseas operations, and the high dynamism in the retail industry. The operational and financial results were in line with the announced expectations in 2015.

### 9. Company Website and Contents

The company's website address is [www.bim.com.tr](http://www.bim.com.tr), and it is used actively for public disclosure purposes. The Investors Relations section of the 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 the 9<sup>th</sup> of October, 2013.

While subjects from among those listed under the Article 2.1.1 of the Corporate Governance Principles are published under the Investor Relations section of our website that doesn't only consist of registration statements.

## 10. Annual Report

Pursuant to the legislation 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 developments that occur during the periods in question, the Annual Report is concerned with paying the utmost attention to 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 members at meetings of the Board of Directors.
- The Board of Directors' Assessment of the activities of committees.

## Section III-Stakeholders

### 11. Disclosure to Stakeholders

In accordance with the current legislation and the company's disclosure policy, stakeholders are regularly informed about matters concerning them, with the exception of 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 (MKK) e-company portal, and press releases.

Email and phone contact details are provided on the company's website for stakeholders who wish to get in touch. Stakeholders who require information through these channels, need to make inquiries, or who wish to provide information with regard to acts that are against the legislation of the company or that are unethical, are able to contact the relevant unit manager. Inquiries and requests for information are answered in a timely manner. Similar means of communication are used to reach both the Audit Committee and the Corporate Governance Committee, and no special mechanism has been put into action.



# CORPORATE GOVERNANCE

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

## 12. Participation of Stakeholders in Management

Although the company has not defined any framework for the participation of stakeholders in management, the independent members of the Board of Directors serve as representation for all stakeholders as well as the shareholders in management. Furthermore, the Investor Relations Department ensures coordination between the stakeholders and the company management. The proposals and requests of stakeholders are submitted for the information of the management.

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

The company strives to attain a high level of participation in the decision-making process by its employees as stakeholders. In this regard, meetings are held in order to increase efficiency and to bring about improvements with regard to issues concerning staff, and 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 in which 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 for working conditions. The Personnel and Administrative Affairs Units in the 43 regional warehouses and headquarters manage the employee relations.

Providing its employees with a pleasant and fair working environment, which offers them the opportunity to take initiative, train, and develop their capacities professionally is the main priority of the company's Human Resources Policy. In addition, employees are encouraged to openly communicate their complaints and criticisms to the relevant units, which are then required to take necessary actions immediately.

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

Job descriptions as well as performance and rewards criteria are communicated to employees clearly. There were no complaints from the employees with regard to discrimination during the period in question.

## 14. Ethical Rules and Social Responsibility

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

The company is not involved in any production operations. Plastic and cardboard waste is forwarded to licensed recycling companies who are engaged in the 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 the 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 their production facilities.

In addition, quality tests are carried out at the Istanbul head office 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 takes the issue of food safety seriously. BİM A.Ş. guarantees that all the products that are sold comply with the minimum official standards set forth in relevant legislation, and takes responsibility for these products.

Providing reliable products that meet customer needs in the most affordable way while making efforts to continuously improve its product quality in a timely manner is a key policy of the company.

#### Section IV: Board of Directors

##### 15. Structure and Formation of the Board of Directors

The company is managed and represented by its Board of Directors. The Board of Directors is composed of a minimum of five and a maximum of nine members elected by the General Assembly, while decisions regarding independent members that sit on the Board of Directors are determined in accordance with the corporate governance regulations set out by the Capital Markets Board. These stipulate that the number of independent members has to be one-third of the total number of members. During the Ordinary General Assembly meeting held on April 15, 2015, six members were elected to sit on the Board of Directors for a period of one year. Two of these nominees are independent members of the Board, and possess the qualifications indicated in the Communiqué of Corporate Governance Principles (Series II, Nr. 17.1). The names and biographies of the members of the Board of Directors and the Executive Members as well as the positions they assume outside the company are provided in the Annual Report under the "Board of Directors and the Executive Committee" section.

The Corporate Governance Committee's report on candidates for independent membership, which was issued on January 22, 2015, was submitted to the Board of Directors and on the same day the Board submitted the report to the General Assembly. Two names were put forward to serve as independent candidates by Corporate Governance Committee.

Independent members of the Board of Directors declared the:

I declare that

a) Within the past five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and Bim Birleşik Mağazalar A.Ş. and subsidiaries of Bim Birleşik Mağazalar A.Ş., shareholders who control the management of the company or who have significant influence at the company, and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations.

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 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 past five years; I have not worked as an executive manager who would have important duties and responsibilities nor have I been a member of the Board of Directors or been a shareholder (with more than 5% of shares) in the companies that BİM Birleşik Mağazalar A.Ş. purchases significant amounts of products and services from or sells significant amounts of products and services to.

c) 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.

d) I do not work full time for any public institution or organization.

e) I am considered resident in Turkey in accordance with the Income Tax Law.

f) 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., enabling me to maintain impartiality during times of conflict of interest among the partners of the company, and to decide independently by taking the benefit rights into consideration.

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

h) I have not been a member of the Board of Directors of Bim Birleşik Mağazalar A.Ş. for more than six years in total within the past decade.

i) I have not been an independent member of the Board of Directors in Bim Birleşik Mağazalar A.Ş. or in more than three of the companies controlled by the shareholders who control the management of Bim Birleşik Mağazalar A.Ş., and in more than five of the publicly traded companies in total.

j) I have not been registered and announced on behalf of the juridical person elected as the member of the Board of Directors.

Upon the 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 behind selecting the same individual for both positions is to enable the company to move faster and more effectively in the decision-making process, and to create a more dynamic organizational structure. The remaining five members of the Board of Directors do not hold executive positions.

The Board of Directors is subject to the approval of the General Assembly in order to fulfill the transaction written in the 395 and 396 articles of the Turkish Commercial Code. During the Ordinary General Assembly held on April 15, 2015, the members of the Board of Directors were permitted to carry out transactions pursuant to the relevant articles of the Turkish Commercial Code.



# CORPORATE GOVERNANCE

Members of the Board of Directors are not restricted from assuming other duties outside the company, except for cases in which 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.

There are no female members on the Board of Directors and there is no policy established related to this issue.

## 16. Operating Principles of the Board of Directors

As indicated in the Articles of Association, the Board of Directors meets at intervals that allow 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 meeting.

The Chairman determines the agenda of meetings by consulting other members of the Board of Directors and the Chief Executive Officer/General Manager. The agenda is formed according to emerging needs and requirements, and members make sure to attend each meeting and present their opinions. In order to provide a steady flow of discussion, information and documents related to the items of the agenda of each Board of Directors meeting are presented to members ahead of the date of the actual meeting.

The Chairman of the Board of Directors makes his best effort to assure the effective participation of non-executive members in meetings of the Board of Directors. In cases of dissent, a 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 take any decision with the written consent of members in the form of a letter or fax receiving members' decision by signature only even without holding a meeting.

Board of Directors and quorum are subject to the Turkish Code of Commerce and to capital markets regulations. The Chairman's secretary is responsible for informing and communicating with the Board of Directors, and although members of the Board have equal rights to vote, they do not hold the right to veto.

With regard to transactions that may be deemed significant and to any and all affiliated party transactions as well as transactions related to warranties, pledges, or mortgages to be provided for the benefit of third parties, where there is no approval from the majority of the independent members, the information is disclosed to the public. This practice complies with the corporate governance regulations of the Capital Markets Board and its public disclosure principles. There were no such disclosures made during 2015.

The Board of Directors virtually convened 14 times over the course of 2015, and 25 additional occasions, took place to take decisions with the consent of its members without holding a meeting as sanctioned in Article 390/4 of the Turkish Code of Commerce. No counter vote was cast against the decisions taken.

## 17. The Number, Structure, and Independence of Committees Formed within the Board of Directors

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

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

The Corporate Governance Committee consists of four members of which two are independent and one of the independent members chairs the group. While three of forth of the members do not hold any executive position, executive member serves as the Reporting and Investor Relations Manager. The Corporate Governance Committee also assumes the duties and responsibilities of the Nomination Committee, the Early Risk Identification Committee, and the Remuneration Committee. The Corporate Governance Committee meets at least once a year.

Both participants in the Early Risk Detection Committee are independent members. These members do not have executive duties/positions in the company. The aim of the committee is to preemptively diagnose any risks that could endanger the existence, development, and continuity of the company, and to take necessary measures to mitigate these identified hazards. Early Risk Detection Committee presents reports to the Board of Directors every two months.

Due to the fact that we have two independent members in Our Company's Board of Directors and that we have three different committees established within our Company, some Members of the Board of Directors may assume tasks in more than one committee.

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 into consideration the various risks it is exposed to, as well as the relevant preventive measures, BİM has developed policies and procedures to govern its business processes. Furthermore, the company has reorganized the distribution of tasks within the organization, including the relevant approval and authorization mechanisms, and regulated methods for the protection and settlement of the company's tangible assets within the scope of risk management. It has also established efficient reporting and supervision practices over the course of the same period.

The company has also set up an Internal Audit Unit that reviews the efficiency of risk management, internal control, and corporate governance processes in a systematic and disciplined manner, with a view to improving efficiency. The Internal Auditing Unit reports to the Audit Committee, which is made up of independent members from the Board of Directors. This unit identifies any major potential risks or deficiencies in internal control systems and identifies measures to be taken to reduce these risks in the relevant management units. The unit then reports the actions taken and their outcomes to senior management and to the Audit Committee.

All operations in the company fall under the responsibility of the Internal Audit Unit, and are audited according to annual plans prepared in line with the results of the risk evaluation process. The subsidiaries that are subject to consolidation are also within the scope of the Internal Audit Unit. Implementation procedures are defined for all stages of the internal control process, and the unit carries out its operations within this framework.

Review of the efficiency and competency of consolidated financial tables which are prepared on a quarterly basis in compliance with the Capital Markets Legislation and assuring the Audit Committee are among the duties of Internal Audit Unit. In 2015, the quality of internal audit activities was independently evaluated, and were put in the "Generally Comply" category (the highest possible level) according to the International Internal Audit Standards and Code of Ethics.

Early Risk Identification Committee works to preemptively isolate risks that could endanger the existence, development, and future of the company, and also implements necessary measures to manage and diminish threats. The committee submits a report to the Board of Directors every two months, outlining the threats (if any) and their potential remedies.

### **19. Strategic Goals of the Company**

The company aims to attain a high level of efficiency in the food retail industry by expanding into other countries where this concept has not yet been implemented in the future. Our strategy is focused on always offering quality products, lowering prices for customers, increasing operational efficiency, increasing the share of private-label products in our portfolio, and decreasing costs by improving supplier efficiency.

The Board of Directors approves the annual budget and assesses the extent to which objectives stated in the budget are met analyzing financial data on a monthly basis. Besides evaluating 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 the Board for review.

### **20. Financial Rights**

Remuneration principles for members of the Board of Directors and senior executives were submitted for the information of shareholders in the 2011 Ordinary General Meeting held on the 15<sup>th</sup> of May 2012, and these have been disseminated 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, credit, or other such benefits to members of the Board of Directors or its executives.

The total value of financial rights such as honorariums, fees, premiums, and bonuses for a total of 134 people comprising the members of the Board of Directors and senior executives came to TL 21,636,203 (TL 2,296,000 bonus, TL 239,587 per diem, TL 19,100,616 wage) in 2015. Executives do not receive dividends. All Members of the Board of Directors have employers' liability insurance.