



Corporate Governance and Credit Rating Services, Inc.

## Corporate Governance Rating Report



10 December 2012

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## Rating and Executive Summary

### BOYNER BÜYÜK MAĞAZACILIK A.Ş.



Corporate Governance Rating:

**8.64**



#### EXECUTIVE SUMMARY

MAIN SECTIONS: **Avg. 86.36**

Shareholders: **87.70**



Public Disclosure & Transparency: **91.89**



Stakeholders: **88.56**



Board of Directors: **75.96**



0 10 20 30 40 50 60 70 80 90 100

This report, on rating of Boyner Büyük Mağazacılık A.Ş.'s (Boyner) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Boyner Büyük Mağazacılık A.Ş. is rated with **8.64** as a result of the Corporate Governance study done by SAHA. Details of this study are presented in the following chapters as main sections and sub-sections. We observe that Boyner took the necessary steps to determine and manage its governance risks. There is still room, on the other hand, for improvements in order to fully comply with the CMB's Corporate Governance Principles.

Additionally, in accordance with the World Corporate Governance Index (WCGI) updated by SAHA on 26 June 2012, Boyner Büyük Mağazacılık A.Ş. takes place in Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at [http://www.saharating.com/liste\\_goster.asp?bolum=24&id=514](http://www.saharating.com/liste_goster.asp?bolum=24&id=514)

Boyner Büyük Mağazacılık A.Ş. is rated with **8.77** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure

the exercise of these rights. A Shareholder Relations Department is established for this purpose. All information is made available to the shareholders for the proper exercise of shareholders' rights. All procedures prior to the general shareholders' meeting, and the conduct of the meeting itself comply with the legislation, rules and regulations, and serves the best use of shareholder rights. The articles of association of the company is changed to fit the mandatory implementation of the principles and there is no provision to impede the transfer of shares. There is no upper limit or privileges on voting rights. There is a specific and consistent dividend policy of the company and it is disclosed to the public. On the other hand, there are areas for improvements like inexistence of shareholders' right to appoint an independent auditor, and adoption as it is, of the rate of minority rights in the company's articles of association as prescribed for public joint stock companies (%5).

Under the chapter **Public Disclosure and Transparency** where Boyner attained **9.19**, information disclosed to the public is in a timely, accurate, and complete format, and the Shareholder Relations Department has been authorized in this regard. There is a comprehensive disclosure policy where public announcements, including the information on the developments that are likely to affect the value of the capital market instruments of the company, are made in accordance with the legislation. The company's dividend policy, ethical rules, and the list of insiders are disclosed to the public. The company's web site is actively used for public disclosure. The content of the annual report is extensive. The company's ultimate controlling individual shareholders are disclosed to the public after being released from indirect or cross shareholding relationships.

On the topic of **Stakeholders**, Boyner scored a **8.86**. Relations with stakeholders are at a very high and satisfactory level and there is no evidence of any infringements of their rights. The human resources policy is fully comprehensive and duly applied. The nature of the company's relationship with public authorities as well as NGOs is broad and pleasing. However, the absence of a provision in the articles of association which support the participation of stakeholders in the management of the company and the inexistence of a trade union are the blank areas of the regulation.

From the perspective of the principles regarding the **Board of Directors**, Boyner Büyük Mağazacılık A.Ş.'s tally is **7.60**. There is a well communicated company mission and vision; and the board fulfills all duties regarding company needs. The company's ethical rules bind also the board of directors. There are two independent members on the board of directors, and no executive members. Attendance fee is only paid to the independent members. A remuneration policy for the members of the board of directors and senior management is established, adopted at the general shareholders' meeting, and disclosed to the public. An Audit Committee and a Corporate Governance Committee is established from within the board of directors. These committees have two members each. Both committees are chaired by the same independent member of the board of directors. In addition, the second member of the audit committee is an independent board member. Even though the working procedures of the committees are defined in written and disclosed to the public, frequency of the meetings is not enough, and it is understood that it did not fully achieve the level of functionality on the responsibilities specified in working principles. Absence of provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene is another area for improvement.

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles released on July 2003, as revised on February 2005.

The CMB based these principles on the leading work of The World Bank, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, the Istanbul Securities Exchange and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose; additionally many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of the Principles is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors:

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.


SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.26).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **25%**  
Disclosure and Transparency: **35%**  
Stakeholders: **15%**  
Board of Directors: **25%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

## Company Overview

Boyner Büyük Mağazacılık A.Ş.	
	<b>CHAIRMAN</b> Hasan Cem Boyner <b>GENERAL MANAGER</b> R. Aslı Karadeniz
Büyükdere Cad., USO Center Binası, No: 245 A, K: B01-Z02 34396 Maslak, İstanbul <a href="http://www.boyner.com.tr">www.boyner.com.tr</a>	<b>Budget and Reporting Manager</b> M. Haşim Arıkan Tel: (0212) 335 7817 <a href="mailto:hasim.arikan@boyner.com.tr">hasim.arikan@boyner.com.tr</a>

Boyner Büyük Mağazacılık A.Ş., a member of one of the leading non-food retail groups in Turkey, Boyner Holding, commenced commercial operations in the year 1981. Boyner opened its first store under its previous name of Çarşı Mağazaları in Bakırköy, and has now expanded its operations through 37 cities of Turkey with a total of 145 stores as of November 2012, consisting of 39 multi-level department stores, 16 concept stores, 8 Boyner Outlet stores and 4 BSSD Stores, 12 Çarşı stores, and 66 YKM stores.

Boyner Stores offer a great many of local and foreign brands and products in different categories from womanswear, menswear, kids wear, young-active-sports wear to shoes and accessories, and from cosmetics to home decoration.

Boyner Büyük Mağazacılık A.Ş. is a capital company founded on February 13, 1992 and registered in İstanbul Trade Registry. In 1996 it realized its initial public offering with 15%, followed by an additional 15% on 1998 and another 9.9% on 2006, reaching a free float ratio of 39.9% in ISE. Boyner Büyük Mağazacılık A.Ş. is a foreign partnership with 30.05% of its capital being owned and held by Fennella S.A.R.L., and Fennella S.A.R.L. and its shareholders are in turn under control of their unlimited liability partner Citigroup Venture Capital International Investment G.P. Limited (CVCİ).

Boyner Büyük Mağazacılık A.Ş. Capital Structure		
Name	Share Amt. (TL)	Share %
Publicly Listed	36,735,932.20	39.90%
Fennella S.A.R.L.	27,667,035.00	30.05%
Altınyıldız Mensucat ve Konfeksiyon Fabr. A.Ş.	27,600,184.74	29.98%
Others	66,848.06	0.07%
<b>Total</b>	<b>92,070,000.00</b>	<b>100.00%</b>

The company shares are traded under "BOYNR" code at the İstanbul Stock Exchange and they are constituent of ISE All Shares (XUTUM), ISE Services (XUHIZ), ISE 100 (XU100), ISE National (XULUS), ISE Wholesale and Retail Trade (XTCRT), and ISE 100-30 (XYUZO).

The board of directors has shaped up as follows:

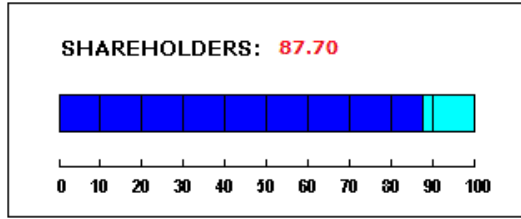
<b>Boyner Büyük Mağazacılık A.Ş. Board of Directors</b>	
<b>Name</b>	<b>Title</b>
Hasan Cem Boyner	Chairman
Sunil Kumar Nair	Vice Chairman
Colin Douglas Clark	Member
Nur Mehmet İnal	Member
Vittorio Radice	Independent Member
Fethi Pekin	Independent Member

There are no executive members on the board of directors.

Following the realization of the ordinary general shareholders' meeting on April 3, 2012, Boyner Büyük Mağazacılık A.Ş. held an extraordinary general shareholders' meeting on June 20, 2012 and completed all changes in the articles of association in compliance with the Capital Markets Board Corporate Governance Principles which was put into force on December 30, 2011.

Relating to fiscal year 2011; despite the financial statements prepared in accordance with the Capital markets Board (CMB) communiqué No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" and the Tax Procedure Law showed profit, due to the presence of prior year losses and the deduction of year 2011 profit from these losses, at the ordinary general shareholders' meeting held on April 3, 2012, it was adopted that there will be no distribution of dividend.

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	There is an investor relations unit
+	Necessary information is offered to shareholders for a sound execution of their rights
+	General shareholders' meetings are conducted in compliance with the legislation
+	Information document relating to agenda items of the general shareholders' meeting is prepared
+	No upper limits or privileges on voting rights
+	Required changes to the articles of association, necessary for compliance with the principles are realized
+	No limitations on the transfer of shares
+	Specific, consistent, and publicly disclosed dividend policy

In the articles of association shareholders do not have the

- right to request appointment of special auditors from the general shareholder meeting
- Minority rights are not defined

In exercising shareholders' rights, legislation, articles of association and other in-house regulations are applied and necessary precautions to ensure use of such rights are adopted. A Shareholder Relations Department is established for this purpose.

All information required to exercise shareholders' rights in a sound manner are made available to all shareholders. All necessary information is disclosed to the public on the company's web site. However, there is no provision in the articles of association that allows each shareholder to have the right to request from the general shareholder meeting that a special auditor is appointed for the examination and clarification of a specific material situation.

At Boyner, utmost care is given to the exercise of minority rights. Nevertheless, there is no enlargement of the scope of minority rights (beyond the requirements of the Turkish Commercial Code and regulations relevant to public companies) in the articles of association of the company.

Procedures followed prior to the general shareholders' meeting as well as the conduct of the actual meeting are in compliance with the relevant legislation and regulations, and serve to enable shareholders to exercise their rights in a most efficient manner. Shareholders are provided with sufficient information prior and during the general shareholders' meeting.

At the extraordinary general shareholders' meeting of June 20, 2012, all the changes were realized in the articles of association in compliance with the Capital Markets Board Corporate Governance Principles which was put into force on December 30, 2011.

At Boyner Büyük Mağazacılık A.Ş., all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

No ceilings are applied on the number of votes that a shareholder may exercise and there are no voting privileges at the general shareholders' meeting.

Company has a clearly defined and consistent dividend policy and it is disclosed to the public. This policy is presented to the shareholders at the general shareholders' meeting and has taken place at the annual report. There has not been a dividend distribution for the year 2011, however, the reasons has been submitted to the shareholders in the annual report.

Neither the articles of association of the company nor any resolutions of the general shareholders' meeting contain any provisions that impede the transfer of shares.

All shareholders, including minority shareholders and foreign shareholders are treated equally.

#### **1.1. Facilitating the Exercise of Shareholders' Statutory Rights:**

In exercising shareholders' rights; legislation, articles of association and other in-house regulations are applied and necessary precautions to ensure use of such rights are adopted. A Shareholder Relations Department is established for this purpose. This department is configured under the chairman of the Corporate Governance Committee who is an independent member of the board of directors. Mr. Haşim Arıkan and Mr. Ali Adana serve at this department and the manager is Mr. Haşim Arıkan.

The Shareholders Relations Department make sure that shareholder records are kept up-to-date, secure, and properly; shareholders' written queries for information (excluding the information that is confidential and classified as

trade secret) are replied to promptly; appropriate preparation is done to ensure that the general shareholders' meeting is conducted in accordance with the legislation, the corporate statute and other in-house regulations; documents to be used by the shareholders at the meeting are prepared; records of voting results are kept and all reports related to the resolutions of the general shareholders' meeting are sent to the shareholders; all issues concerning investor relations and public disclosure, including the related legislation and information policy of the company are supervised.

#### **1.2. Shareholders' Right to Obtain and Evaluate Information:**

With regard to facilitating shareholder rights, all necessary information and documentation are available for and easily accessible by the shareholders. This information is submitted as complete, accurate and in a timely and diligent manner.

The company's obligation to inform shareholders also includes legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship. In order to broaden the scope of shareholders' right to obtain and evaluate information, any type of information that may affect the way in which shareholders exercise such rights, are updated on a regular basis on electronic media.

On the other hand, there is no provision in the articles of association that allows each shareholder to have the right to request from the general shareholder meeting that a special auditor is appointed for the examination and clarification of a specific material situation.

### **1.3. Minority Rights:**

Maximum care is given to the usage of minority rights. However, the articles of association of Boyner Büyük Mağazacılık A.Ş. do not contain any provisions that dictate any voting privileges. Provisions of Turkish Commercial Code and public joint stock companies are duly applied.

### **1.4. The Right to Participate in the General Shareholders' Meeting:**

Following the realization of the ordinary general shareholders' meeting on April 3, 2012, Boyner Büyük Mağazacılık A.Ş. held an extraordinary general shareholders' meeting on June 20, 2012 and completed all changes in the articles of association in compliance with the Capital Markets Board Corporate Governance Principles which was put into force on December 30, 2011.

In order to ensure the highest level of participation, prior to the general shareholders' meeting, owners of all registered shares are recorded (taking into account of the records of legal custodians and likewise institutions) in the share ledger.

The procedure, content, and the timing of invitation to the general shareholders' meeting allowed shareholders to acquire adequate information about the agenda items to be discussed prior to the meeting and enabled preparations thereto. The board prepared an informative document regarding the agenda items. In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting is performed through all means of communication available to the company 3 weeks in advance.

The following items were clearly indicated in all announcements prior to the shareholder meeting: date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; should an amendment on the articles of association be discussed within the agenda, the old and new versions of the related provision/provisions of the articles of association as approved by the relevant authorities; the body inviting the general shareholders' meeting; the place where annual report, financial statements and other meeting documents can be examined. Commencing from the date of announcement of invitation for the general shareholders' meeting, financial statements and reports including the annual report; proposal for dividends; amended text of the articles of association and all other related documents pertaining to the agenda items were made available to all shareholders for examination purposes at the headquarters of the company and on its web site.

Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was easily associated with and related to the agenda items. Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Proxy forms were posted on the web site promptly and appropriately for those who would appoint a proxy for the general shareholders' meeting.

The location of the general shareholders' meeting was easily accessible and appropriate for the predicted attendance level of shareholders. The meeting did not lead to any discrimination among the shareholders, and took place with at least possible cost, and in the least

complex manner. Agenda items were expressed in an unbiased and detailed manner with, clear and concise method. Shareholders were provided with equal opportunities to express their opinions, and raise any questions and a sound discussion environment was created.

The meeting served as a forum of shareholders in which the annual report and the company's performance indicators are discussed. Board members obtained the approval from the latest general shareholders' meeting to enter into transactions with the company or to be involved in competition with the company. The disclosure document presented to the shareholders stated that there was no transaction of this nature which took place during the related fiscal year. Shareholders were informed about the news and analysis of the disputed issues concerning the company which occurred on the media and they were given the opportunity to ask questions.

The chairman conducted the meeting on fair grounds, and in an efficient manner that would enable shareholders to exercise their rights. The chairman ensured that each question imposed by any of the shareholders was answered directly in the general shareholders' meeting.

Three board members, auditors, authorized persons who are responsible for preparing the financial statements and persons who are in a position to inform shareholders about peculiar agenda items participated in the meeting. However, the chairman of the meeting did not announce the justifications of the absentees.

The chairman of the meeting took all necessary precautions on voting methods which reflect the will of the majority. Each agenda item was voted separately, the votes were counted before the end of the meeting and

results of voting were announced. The minutes of the meeting are made available to the shareholders in writing and in electronic media at all times.

Sufficient information on board members elected take place in the informative document and on the company's web site. Nevertheless, there is no clause in the articles of association that states the minimum amount of information to be given about the candidates.

At the meeting, shareholders were given the opportunity to present their views and suggestions on board members' and executives' wages and a remuneration policy on this regard is submitted to the general shareholders' meeting.

The written declaration of the external audit firm that during the audit process sufficient and appropriate resource was supplied to form an opinion, the financial statements constituted a source of the company's actual financial position, the performance and cash flow of the company is reflected in a true and fair manner in accordance financial reporting standards issued by the Capital markets Board is read out to the shareholders.

Following changes on the articles of association of the company was realized and adopted at the general shareholders' meeting: Processes considered to be important for the implementation of the Corporate Governance Principles; any related party transactions of the company; the issuance of guarantees like pledges and mortgages in favor of a third person will be in compliance with the Capital Markets Board corporate governance principles and other provisions of the new Capital Markets Board Corporate Governance Principles entered into force on December 30, 2011; all decisions on mandatory

actions which violate the principles adopted at the general shareholders' meeting will be void and considered to be contrary to the articles of association of the company.

### **1.5. Voting Rights:**

At Boyner Büyük Mağazacılık A.Ş., each shareholder, including those domiciled abroad, is provided with the opportunity to exercise his/her voting rights in the most appropriate and convenient way. There is no upper limit on the number of votes cast at the general shareholders' meeting. Right to vote is automatically granted once the share is acquired, and there are no arrangements that would postpone the exercise of the right to vote a certain period following the acquisition of the share.

Likewise, a voting privilege does not exist in practice or in the articles of association. There are no provisions in the articles of association of the company that prevent voting by use of a proxy who is not a shareholder. Legal representations are documented in writing. The board communicates with the institutional representatives and institutional representation is based on open ballot.

Voting was conducted through open ballot and by raising hands during the general shareholders' meeting and shareholders were informed of the voting procedure at the beginning of the meeting.

### **1.6. Dividend Rights:**

Boyner Büyük Mağazacılık A.Ş.'s dividend policy is clearly defined and disclosed to the public. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

The reasons for the board of directors' non-distribution of dividend proposition at the general shareholders' meeting has been submitted to the shareholders in the annual report. Relating to fiscal year 2011; despite the financial statements prepared in accordance with the Capital markets Board (CMB) communiqué No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" and the Tax Procedure Law showed profit, due to the presence of prior year losses and the deduction of year 2011 profit from these losses, at the ordinary general shareholders' meeting held on April 3, 2012, it was adopted there will be no distribution of dividend.

Company does not provide for advance payment of dividends.

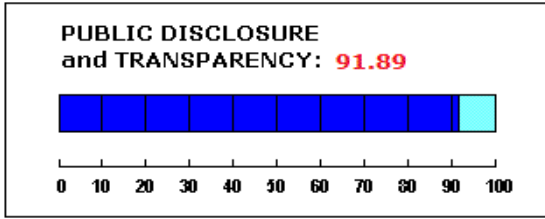
### **1.7. Transfer of Shares:**

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares.

### **1.8. Equal Treatment of Shareholders:**

All shareholders, including minority shareholders and foreign shareholders are treated equally.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Information policy disclosed to the public
+	Corporate Governance Compliance Report is disclosed to the public
+	Dividend policy disclosed in the annual report
+	Comprehensive web site, actively used for public disclosure
+	Financial statements comply with the legislation and international norms
+	List of insiders is disclosed to the public
+	The concept of trade secret is defined
+	Ultimate controlling shareholders are disclosed
-	No statement of the board on status of internal control system
-	No mention of the remuneration of the executives and employees in the annual report
-	Significant decisions of the board of directors did not take place on company's website

Disclosed information of Boyner Büyük Mağazacılık A.Ş. is accurate, complete, comprehensible, interpretable, and easily accessible at low cost and prepared to aid the individuals and institutions in their decision-making, and presented equally. Shareholder Relations Department staff is

exclusively mandated to monitor and supervise all issues related to public disclosure.

The company have established a comprehensive information policy and disclosed it to the public. Any developments that may affect the value of Boyner Büyük Mağazacılık A.Ş.'s capital market instruments are disclosed to the public without any delay and within the time period required by the current legislation.

The unilateral declaration of the board of directors which covers information about whether or not the principles are being properly applied, if the principles are not being applied, the reasons for such non-application and the related compliance report is incorporated in the annual report and disclosed to the public.

The dividend distribution policy and the ethical rules of Boyner Büyük Mağazacılık A.Ş. are included in the annual report and on its website, and disclosed to the public within the framework of the public information policy.

Company's website is redesigned and configured to be actively used as a means of public disclosure. The site is rich in content and scope.

Boyner Büyük Mağazacılık A.Ş.'s ultimate controlling individual shareholder or shareholders, as identified after being released from indirect or cross shareholding relationships between co-owners are disclosed to the public.

Boyner Büyük Mağazacılık A.Ş.'s periodical financial statements and footnotes are prepared in

accordance with the current legislation and international accounting standards.

The annual report is prepared in detail to allow public access to a variety of information about the activities of the company. A signed declaration of the general manager that it exactly reflects company's financial status and fully complies with the legislation takes place in the annual report.

The independent auditing of Boyner Büyük Mağazacılık A.Ş. is implemented in compliance with the legislation, and the audit committee plays an active role in the selection process of the external audit firm.

The scope of trade secret of the company is defined by its internal regulations. A list of the names of executives who can potentially possess price-sensitive information is prepared and disclosed to the public in the annual report. The company complies with CMB legislation and ISE regulations on the public disclosure of important events and developments.

### **2.1. Principles and Means for Public Disclosure:**

The public disclosure of Boyner Büyük Mağazacılık A.Ş. is realized in a timely manner, is accurate, complete, understandable, interpretable, allowing easy access with low cost, and available on equal basis to help the interested parties and organizations to come to a decision.

There are two managers to disseminate holding information on the Public Disclosure Platform (KAP).

The Shareholder Relations Department is assigned solely to monitor and supervise all issues pertaining to public disclosure. Investors, financial analysts, press members and similar groups are guided to this department.

In compliance with the transparency principle, the company accurately discloses its accounting policy and operational financial results to the public.

The company established its information policy and disclosed it to the public on its website.

The company's information policy covers category of information to be disclosed to the public; form and methods of disclosure; the method to be adopted in order to answer the questions submitted to the company; the type of information to be discussed at the general shareholders' meeting; and the principles applicable to disclose forward looking information.

Any developments that may affect the value of Boyner Büyük Mağazacılık A.Ş.'s capital market instruments is disclosed to the public without any delay and within the time period required by the current legislation. Should there be a significant change in the financial status and/or operations of the company, or in case of an expectation of such a significant change in the financial status and/or operations in the future, the information is disclosed to the public, save for the relevant provisions of legislation. Any changes or new developments in the already disclosed information is regularly updated and disclosed to the public.

The unilateral declaration of the board of directors which covers information about whether or not the principles are being properly applied, if the principles are not being applied, the reasons for such non-application and the related compliance report is incorporated in the annual report and disclosed to the public.

The dividend distribution policy and the ethical rules of Boyner Büyük Mağazacılık A.Ş. are included in the

annual report and on its website, and disclosed to the public within the framework of the public information policy.

Periodical financial statements, reports, and disclosed information do not consist of any exaggerated provisions or misleading information. Save for the provisions of the legislation, the preparation or revision of periodical financial statements is subjected to a compliance audit by the external auditor. The audit and public disclosure thereof is in compliance with the international standards.

Company's website is redesigned and configured to be actively used as a means of public disclosure. It is easily accessible, user friendly, and comprehensive. It is made available in English for the use of foreign investors.

Information published on the company's website includes trade register information; detailed information about the shareholder and management structure; the final version of the company's articles of association together with date and numbers of the trade register gazettes in which amendments are published; publicly disclosed material information; annual reports, periodical financial statements, prospectuses and circulars; agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting; form for proxy voting at the general shareholders' meeting; and frequently asked questions including requests for information, and responses thereof.

The company's website emphasized the announcement of the planned general shareholders' meeting, agenda items, other information, documents and reports on the agenda items and information on methods of participation in the general

shareholders' meeting. On the other hand, minutes of important board meetings which may affect the value of capital market instruments of the company are not listed on the company's web site.

Company's web address is printed on its letterhead. The criteria regarding the use of its website are included in the company's information policy.

The Disclosure Policy document of Boyner Büyük Mağazacılık A.Ş. which covers a set of principles, includes provisions regarding the obligation to inform shareholders about legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship.

## **2.2. Public Disclosure of Relations Between the Company and Its Shareholders, The Board of Directors and Executives:**

In case shareholding or voting right percentage of an individual or group reaches, exceeds or falls below the percentages of total share capital or voting rights, such information is disclosed immediately by the company.

The company's ultimate controlling individual shareholder or shareholders are disclosed to the public, as identified after being released from indirect or cross shareholding relationships between co-owners.

Commercial and non-commercial transactions between Boyner and companies, where board members, executives and shareholders, who either directly or indirectly own at least 5% of the company's capital, possess at least 5% and more of shareholding or having the control of the latter are disclosed to the public

within the framework of the CMB and ISE norms.

### **2.3. Periodical Financial Statement and Reports in Public Disclosure:**

Periodical financial statements and footnotes of Boyner Büyük Mağazacılık A.Ş. are prepared in accordance with the current legislation and international accounting standards and applied accounting policies are included in the footnotes of the financial statements.

The footnotes of the periodical financial statements include all off-balance sheet transactions including contingent claims, all liabilities and operational results that would affect future financial status, liquidity of the company, investment expenditures, investment sources, all factors that would affect the future relations of Boyner with other natural persons and legal entities which are not within the scope of consolidation.

The annual report is prepared in detail to allow the public reach to a variety of information about the activities of the company. A signed declaration of the general manager that it exactly reflects company's financial status and fully complies with the legislation takes place in the annual report. However, the annual report does not include board of directors' statement about the status of internal control system.

The annual report includes information about the scope of activities of the company; its financial status; its capital, ownership, and management structure; the curriculum vitae of the company's board members and executives; its dividend distribution policy; and the corporate governance compliance report.

### **2.4. Functions of External Audit:**

The agreements and modus operandi with Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Ernst & Young Global Limited) which is appointed by Boyner Büyük Mağazacılık A.Ş. as their independent auditors comply with the CMB legislation.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, its auditors and other related staff do not provide consultancy services to Boyner Büyük Mağazacılık A.Ş. to which they provide external auditing services within the same period, either in return for a fee or free of charge.

There are no legal disputes between the independent auditors and the company. The audit committee played an active role in the selection process of the audit firm.

### **2.5. The Concept of Trade Secret and Insider Trading:**

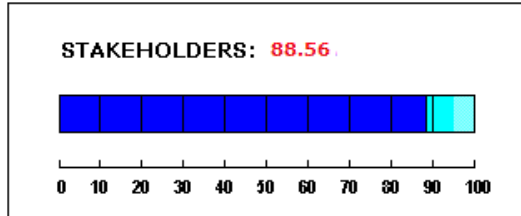
Boyner Büyük Mağazacılık A.Ş. has incorporated the definition of information that falls within the scope of trade secret in its document of Working Principles and Values. A list of the names of executives and other persons who can potentially possess price-sensitive information is prepared and disclosed to the public in accordance with the information policy in the annual report.

## **2.6. Significant Events and Developments That Must Be Disclosed to the Public:**

Boyner Büyük Mağazacılık A.Ş. complies with the CMB regulation and the rules and regulations of the ISE in disclosure of significant developments.

All developments listed in the Corporate Governance Principles of the CMB are immediately disclosed to public via the special events communiqués.

## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient human resources policy
+	Enhanced sense of social responsibility and its applications
+	Principle of Unconditional Customer Satisfaction is adopted
+	Code of ethics is adopted at the general shareholders' meeting and disclosed to the public
-	No provision in the articles of association regarding the participation of stakeholders in the management of the company
-	No trade union in the company

The corporate governance framework of Boyner Büyük Mağazacılık A.Ş. recognizes the rights of stakeholders established by law or through any other mutual agreement.

The company's corporate governance structure allows the employees and all stakeholders to convey their concerns about legal and unethical transactions to the management.

The encouragement of participation of the stakeholders in the management of the company is not acknowledged in the articles of association. However, the company is in constant contact with its stakeholders and their feedbacks pass certain stages

depending on the internal procedures and submitted to the attention of senior management, and solutions and policies are developed.

Company officials declare that neither the board of directors nor any of the executives took any actions that would cause the company assets lose value and lead to the deliberate loss for stakeholders.

Company has a detailed human resources policy; training, performance evaluation, and rewarding practices within the framework of this policy are at a satisfactory level.

During the marketing and sale of its goods and services, Boyner Büyük Mağazacılık A.Ş. operates in accordance with consumer laws and the principle of unconditional customer satisfaction. The company pays attention to the confidentiality of trade secrets of its customers and suppliers.

The company's code of ethics was documented in writing and submitted to the stakeholders in a separate article at the general shareholders' meeting and published on the company website.

Boyner Büyük Mağazacılık A.Ş.'s relationship with public authorities is carried out at a sound manner. The company is sensitive to the environment, the region, and to the social studies supporting and leading to the benefit of the public. Accordingly, a variety of projects, campaigns and events are carried out.

### **3.1. Company Policy Regarding Stakeholders:**

The corporate governance framework of Boyner Büyük Mağazacılık A.Ş. recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the company would preserve the interest of stakeholders under good faith principles and within the capabilities of the company, without permitting any damage to the brand image.

Stakeholders are informed in writing as much as possible on matters concerning the company and to the extent necessary, relations with stakeholders are governed by written agreements.

The company's corporate governance structure allows all stakeholders, including employees, to freely communicate their concerns about any illegal or unethical practices to the board.

### **3.2. Stakeholders' Participation in the Company Management:**

The participation of the stakeholders in the management of the company is not acknowledged in the articles of association.

However, the independent members on the Board of Directors allow the representation of the company, its shareholders, as well as all stakeholders in the management.

The company is in constant contact with its stakeholders, and their feedbacks pass certain stages depending on the internal procedures and submitted to the attention of senior management, and solutions and policies are developed.

### **3.3. Protection of Company Assets:**

Company officials declare that neither the board of directors nor any of the executives have been involved in any instances which would cause company assets lose value and lead to the deliberate loss for stakeholders.

### **3.4. Company Policy on Human Resources:**

Basic aims of Boyner Büyük Mağazacılık A.Ş.'s human resources policy are "Unconditional Customer Satisfaction" and "Human Respect". It is essential to conduct in-house Human Resources applications in this context.

Job descriptions and performance criteria for all positions within Boyner has been prepared and presented to the attention of the employees. A specific profile has been formulated for the selection and placement process of the company, and accordingly, selection and placement steps are taken within the frame of criteria and requirements specifically chosen for each job position. Development of every single employee is traced and followed up by "Performance Assessment System" and career planning of the employees is shaped via such assessment. Company's basic principle is to fill in the vacancies at top echelon levels from its own existing employees. Without any discrimination of race, gender and beliefs, employees are given the opportunity to develop himself or herself, and to promote and rise in career, and they are supported to take initiative parallel to their job responsibilities.

In addition, employees are under obligation to comply with all laws as well as the company's internal rules, procedures, and regulations. No one is allowed to make propaganda of his

religious or political beliefs at job, nor may he support his job-related decisions on such beliefs. This summarizes the approach of the management to unethical attitudes and behaviors. All changes which may affect the working conditions and the daily work life of the employees are timely announced and notified to them for information purposes.

Under the scope of social performances, taken into consideration along with economic and environmental performances; there is occupational health and safety, vocational training and development of employees, equal opportunity and diversity at employment policies, freedom of association, product liability, customer health and safety, legal compliance, and social investment programs. However, there is no trade union in the company.

Equal opportunity and equal treatment, equal opportunity model (FEM), recruitment, career planning and promotion process, equal pay, sexual harassment and the fight against mobbing are the prominent labor and workforce practices.

### **3.5. Relations with Customers and Suppliers:**

Boyner Büyük Mağazacılık A.Ş. strives to keep customer satisfaction to remain at the forefront as long as marketing and sales of goods and services are concerned. Through the "Key Loyalty Program", data about customers are collected with their prior consent, and are stored in information systems database. The procedures in force in all stores are relied upon both the current consumer protection laws and the company's unconditional customer satisfaction principle. Accordingly, a Customer Relations Supervisor serves in each store.

Suggestions and comments of the customers are taken into consideration and classified, and producing resolutions are tried. Customer complaints are received through various different channels such as written petitions, telephone, through governmental bodies, and the company's website. Each written complaint is absolutely replied with a written feedback.

The company has put into service a B2B system which enables all suppliers to manage the information of their own products.

Care is taken on the confidentiality of all trade secret data and information of customers and suppliers.

### **3.6. Ethical Rules:**

Boyner büyük Mağazacılık A.Ş.'s code of ethics was documented in writing and submitted to the stakeholders in a separate article at the general shareholders' meeting and published on the company website.

### **3.7. Social Responsibility:**

The company has good relations with public administrations. Company authorities have declared that they have received no fine/warning from CMB and/or ISE in 2012.

There have been no other legal disputes and/or conflicts between the company and customers, auditors, banks, public authorities, tax administrations, and any other applications where the company is held liable has been declared and no sanctions have been affected.

Boyner büyük Mağazacılık A.Ş. acts sensitively towards all pioneered or supported or sponsored social and community projects for the sake of environment, community or generally public. The company has not so far

been exposed to any accusation or sanction relating to environmental protection, nor has it been sued in connection therewith. Ultimate attention is shown to compliance of the financed projects with the applicable laws and regulations pertaining to environmental and public health.

Since 2009, the company is taking initiatives for recycling of used papers. Furthermore, nylon bags are redesigned by using recycled materials.

Through the "Nar Taneleri (Pomegranate Seeds) Strong Young Women – Happy Tomorrow" Project scheduled and implemented for the period of 2009-2013 as a collaborative project of Boyner group companies, young women between 18 and 24 years of age grown up in orphanages, being generally exposed to social and economic exclusion are encouraged to continue their education, and their personal development and job search skills are developed so as to prepare them for labor markets.

As Boyner Group Volunteers, 436 employees have provided communal benefits through their volunteer works of 2117 hours in total in 2011; based on training and socio-cultural development of children and youth, and employment of youth and women, and social supports to disadvantaged population groups.

In addition to these projects, *Different Colors, Different Cultures Project* is implemented by the company in partnership with the Association for Solidarity With Asylum Seekers and Migrants and in cooperation with Yeldeğirmeni Youth Center of Social Services and Child Protection Agency (SHÇEK), Boyner is giving social support to child and young migrants and asylum seekers who have come to Turkey from different countries

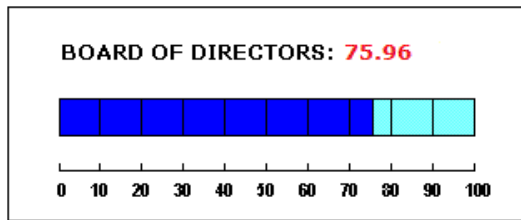
through legal or illegal ways due to poverty, war or breaches of human rights.

By the project of *Grenadine*, the company is acting as a role model to young women grown up in SHÇEK orphanages, supporting socialization, and explaining the employment opportunities. The aim of the project *School Friendly – Curious Books* is to improve the academic achievements of the children of families from low socio-economic group through reading activities.

*For Our Common Denominator Children Project* supports the personal development of elementary school children, the enhancement of motivation of the sick children, and the social improvement of the disadvantaged children.

In 2011 several social welfare and environmental development practices were realized through campaigns like *Share Your Excess, Van Earthquake Clothing Aid, Blood Donation* and activities such as *Environmental Activity and Motivation Activities*.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The Company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	No executive members on the board, but two independent members
+	Working principles of the committees identified and disclosed to the public
+	Code of ethics also bind the board of directors
=	Attendance fee is only paid to the independent members
-	No provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene
-	Audit and Corporate Governance Committees been established, but should be more functional

The board of directors of Boyner Büyük Mağazacılık A.Ş. has defined the vision and mission of the company and disclosed it to the public on the corporate web site. Board of directors approves the strategic goals constituted by the executives.

The board of directors' duties and responsibilities are clearly defined in the articles of association of the

company in consistence with its functions and beyond any doubt. Members of the board are jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting, but they do not have a written declaration in this context.

The ethical rules of the company dictate that the members of the board cannot indulge in pressures that would serve against the interests of the shareholders, accept any material gains, and disclose company information that is confidential and/or trade secret.

The board of directors fulfills all its tasks duly and meetings take place with sufficient participation and intervals. Processes for the invitation, and the preparation of the board of directors for a meeting allows all members of the board to be fully prepared, but there is no written in-house procedure. Another area for improvement is the absence of provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene.

There are no executive members on the board of directors of the company and the chief executive officer and chairman of the board is not the same person. There are two independent members on the board, and they have signed an independency statement. Attendance fee is only paid to the

independent members. There is no loan, credit, surety or collateral granted to the members of the board by the company. A remuneration policy for the members of the board of directors and senior management is established, adopted at the general shareholders' meeting, and disclosed to the public.

An Audit Committee and a Corporate Governance Committee is established from within the board of directors. Each committee consists of two members. Both committees are chaired by Mr. Fethi Pekin, who is an independent member of the board. The second member of the audit committee is also an independent board member.

Even though the working procedures of the committees are defined in written and disclosed to the public on the company's web site, frequency of the meetings is not enough, and it is understood that it did not fully achieve the level of functionality on the responsibilities specified in working principles.

#### **4.1. Fundamental Functions of the Board of Directors:**

The board of directors of Boyner Büyük Mağazacılık A.Ş. has defined the vision and mission of the company and disclosed it to the public on the corporate web site. Board of directors approves the strategic goals constituted by the executives.

The board of directors effectively revises the company's level of success in achieving its goals, operations and past performance. In this context, the company's operations; approved annual financial and business plans; and compliance with current legislation and international accounting standards in the accountancy of operational results of the company are audited, and identification of the degree of

accuracy of the company related financial information is considered.

The board established internal control and risk management mechanisms that are appropriate for the company to minimize adverse effects of the risks that company may face, which would also negatively affect the shareholders and stakeholders. The board also takes all necessary measures for sound functioning of such mechanisms implemented.

The board of directors has formed audit and corporate governance committees to perform tasks in a sound manner.

The board of directors assesses whether the executives are well qualified to suit the demands of their positions and seeks measures that would encourage the qualified employees to work for the company over a long period of time. As the board of directors deems appropriate, it may terminate the employment of executives and may without delay, appoint new executives to replace the former.

Similarly, the board of directors closely monitors and supervises whether or not the company's operations comply with the relevant legislation, articles of association, and in-house regulations and policies, and act as a pioneer in resolving and settling disputes that may arise between the company and shareholders.

#### **4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:**

The board of directors' duties and responsibilities are clearly defined in the articles of association of the company in consistence with its functions and beyond any doubt, so as to distinguish from the authorities and responsibilities of individual board

members, executives, and the general shareholders' meeting. Within this framework, authority and responsibility for each board member and executive are clearly defined, included in the annual report of the company and disclosed to the public thereby.

In order to ensure that the board members perform their duties fully, they are provided with easy access to all kinds of information in a timely manner. If deemed necessary, executives attend to the board of directors meetings. In accordance with the legislation, board members are jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting resolutions.

Members of the board do not indulge in pressures that would serve against the interests of the shareholders and not accept any material gains. Board of directors included these matters in the ethical rules of the company and take measures to ensure that all employees abide thereby. Members of the board can under no circumstances disclose company information that is confidential and/or trade secret, and this matter of confidentiality is incorporated in the ethical rules of the company. Board members also adopted requisite measures in order to ensure that confidential information does not flow out of the company by other company employees as well. During the rating process, we came across to no occurrences of any members of the board exploiting confidential and publicly unavailable information in favor of him/her, or others; providing information or extending news or making comments that are false, untrue, misleading, and unfounded information about the company.

On the other hand, members of the board have not declared in writing that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of incompliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders.

The board of directors adopts a separate decision to approve the periodical financial statements and annual report of the company. Members of the board are permitted by the general assembly to engage in transactions listed by the 334<sup>th</sup> and 335<sup>th</sup> articles of the Turkish Commercial Code.

Beyond its basic functions and in accordance with opinions and suggestions of the committees, the board of directors approves the annual budget and business plans of the company, prepares the annual report and finalizes the same for presentation at the general shareholders' meeting; ensures that the general shareholders' meeting is conducted in accordance with the legislation and the company's articles of association; fulfills the general shareholders' meeting decisions; controls the company's material expenditures in the most recent balance sheet; approves the career plans and remuneration of executives, determines policies for shareholders, stakeholders and the public relations; determines the information policy and the ethical rules of the company; determines the working principles of the committees; and ensures them to work effectively and efficiently.

First meeting of the board of directors was held following the general shareholders' meeting. In principle, each member of the board attends all meetings. The board of directors convenes on regular basis as planned

in advance, frequently enough and without any delay.

All resolutions of the board meeting are recorded in the meeting minutes. Procedures for invitation of the members of the board to the meeting and organization thereto are designed so as to allow the board members to be properly prepared for such meeting. However, there is no written in-house regulation.

#### **4.3. Formation and Election of the Board of Directors:**

In election of the board members, both the qualifications imposed by the applicable laws and the qualifications specified in the Corporate Governance Principles are sought for. The board of directors is composed of directors bearing these qualifications so as to derive the maximum benefits and efficiency from them. The persons nominated for the board of directors are expected not only to bear the said qualifications, but also to be well-equipped so as to own the basic know-how about the operations within the fields of business of the company and about the relevant applicable laws and regulations. However, although the related provisions exist in the Corporate Governance Compliance report, it is not mentioned in the articles of association of the company.

There are no executive members on the board of directors of Boyner Büyük Mağazacılık A.Ş.

The board includes two independent members who have the ability to execute their duties without being influenced under any circumstances and they have signed a statement of independency.

#### **4.4. Remuneration of the Board of Directors:**

Attendance fee is only paid to the independent members of the board of directors of Boyner Büyük Mağazacılık A.Ş. and this fee is determined by the general shareholders' meeting. There is no loan, credit, surety or collateral granted to the members of the board by the company.

A remuneration policy for the members of the board of directors and senior management is established, adopted at the general shareholders' meeting, and appointed the Corporate Governance Committee for the management and supervision of this policy. It is understood from the Corporate Governance Committee's minutes of meeting that there is no action taken yet on this matter.

#### **4.5. Number, Structure and Independence of the Committees Established by the Board of Directors:**

In accordance with the present conditions and requirements, and to achieve the fulfillment of board of directors' duties and responsibilities in a sound manner, an Audit Committee and a Corporate Governance Committee is established from within the board of directors of Boyner Büyük Mağazacılık A.Ş. Each committee consists of two members. Both committees are chaired by Mr. Fethi Pekin, who is an independent member of the board. The second member of the audit committee is also an independent board member. There are no executive members on the committees.

All committee records are kept in writing. Even though the working procedures of the committees are defined in written and disclosed to the public on the company's web site, frequency of the meetings is not

enough, and it is understood that it did not fully achieve the level of functionality on the responsibilities specified in working principles. This level of functionality will be monitored by us during the next rating period.

#### **4.6. Executives:**

The executives of Boyner Büyük Mağazacılık A.Ş. ensure that the company conducts its business within the framework of its mission, vision, goals, strategies, and policies. They act in accordance with the financial and operational plans of the company as approved by the board of directors each year, are adequately authorized to perform their duties, and have the required professional qualifications in order to perform the assigned duties. The executives do not exploit company related confidential and publicly unavailable information in favor of himself/herself or others. Furthermore, Enka officials have declared that none of the executives have been convicted of non-conformity with the capital market legislation and the Turkish Commercial Code. On the other hand, provisions dictating that executives should compensate the losses incurred by the company and third persons as a result of not performing their duties duly, have not been included in company rules and regulations.

## Rating Definitions

Rating	Definition
<b>9 - 10</b>	The company performs <b>very good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
<b>7 - 8</b>	The company performs <b>good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated.
<b>6</b>	The company performs <b>fair</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
<b>4 - 5</b>	The company performs <b>weakly</b> as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<b>&lt;4</b>	The company performs <b>very weakly</b> and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

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