



**Turkey's
Fast-Growing
Food Retail
Company**



**ŞOK MARKETLER
ANNUAL REPORT 2018**

Our Vision

To be the most preferred retail brand and the leading food retailer of Turkey and to continue creating value for our investors.

Our Mission

To offer our customers the most convenient shopping experience through our differentiated business model, high-quality product variety, affordable prices, and advanced service concept and to be the first choice of our partners and employees.

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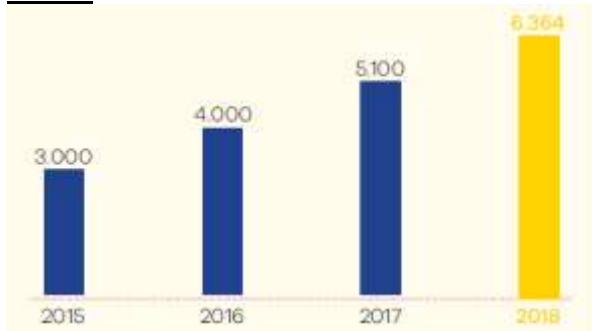
Turkey's Fastest-Growing Food Retail Company

We are the fastest growing company in the food retail sector.

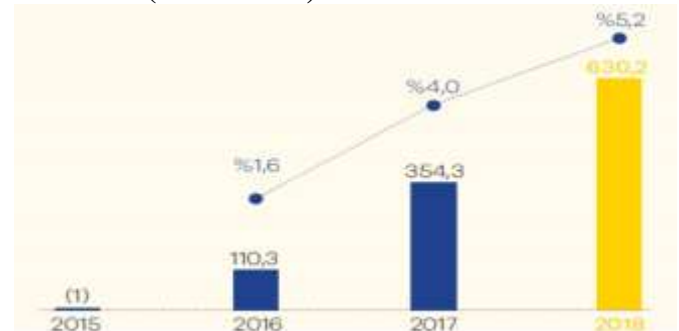
Since 2015, we have moved forward with a unique business model and a robust strategy. Within a five-year period, ŞOK Marketler grew six-fold, tapping into a business model that powerfully combines the strengths of national supermarkets and discount markets.

ŞOK Marketler will continue to grow at full speed, with over 27,000 employees and customer-focused operations.

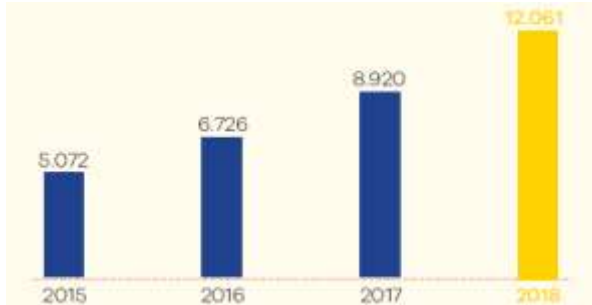
Stores



EBITDA (Million TL)



Net Sales (TL Million)



● Margin

Net Profit (Million TL)



Highlights

- Over 27,000 employees in 25 distribution centers and 6,364 stores across 81 provinces of Turkey, we ensure that our customers can access all their basic necessities in a “one-stop shop” concept at the sales point closest to their home.
- We continuously and rapidly expand our store network to reach customers more effectively.
- We ensure that fruits and vegetables are delivered to the customer in a fresh way.

Proximate Retailing

We have expanded across Turkey by opening an average of approximately three stores per day. With **6,364 stores across 81 provinces**, we continue to provide our customers with access to almost every convenience good from advantageously located stores.

Low prices

We make customers smile with our “**everyday low price**” policy and our campaigns.

Product diversity to address households’ basic necessities

We offer nearly all basic necessities required for a household. We provide customers with a wide selection of 1,500 products in a “**one-stop shopping**” concept.

Well-known, established brands

We offer **Mis, Piyale, Mintax, Evin and Amigo** - national brands of our childhood that still hold a place in consumers’ memories – and we deliver these values to consumers at affordable prices.

Easy Shopping

The layout of our stores is designed in line with in-store shopper research findings, enabling customers to locate products easily.

Our Operation Network

ŞOK Marketler continuously and rapidly expands its store network to reach customers more effectively.

- **6,364** Stores in **81** Provinces
- **25** Distribution Centers
- **+1,000** New Stores Opened Annually
- **TL 12.1 billion** Turnover

ŞOK Marketler's Own Brands

PİYALE

One of Turkey's oldest and most recognized brands, Piyale was established in 1922.

MİS

Founded in 1976, Mis Süt was one of Turkey's first modern dairy plants and remains one of our most popular and preferred nostalgic brands.

AMİGO

As Turkey's most wide-spread peanut brand, Amigo was among the country's first packed nut producers.

EVİN

Having won the hearts of a generation through its commercials, all Evin products are available to consumers only at ŞOK Marketler.

MİNTAX

The Mintax brand, which joined Yıldız Holding in 2012, is a leader in the cleaning products category at ŞOK Marketler.

BİZİM VATAN

An essential part of our tables, Bizim Vatan offers products ranging from tuna fish to garnishes, from tomato paste to beans, and from pickles to salad toppings such as grape-apple vinegar and pomegranate syrup.

PEKİ

Beloved by young people, various Peki products are sold in ŞOK Marketler at affordable prices.

KARMEN

Featuring a broad range of chocolate products, including madlen chocolates, biscuits and chocolate-coated wafers, Karmen products are available only at ŞOK Marketler.

ŞOK Marketler In Brief

Among the key players in the Turkish retail sector, ŞOK Marketler creates employment for 4,000 people while opening 1,000 stores per year.

- **+27,000** Employees
- **TL 12.1** Billion Revenue
- **6,364** Stores in **81** Provinces
- **25** Distribution Centers

ŞOK Marketler meets nearly all customer needs in a “**one-stop shop**” concept at a sales point located near consumers’ homes, with 6,364 stores, including 264 ŞOK Mini Markets, 25 distribution centers, and over 27,000 employees across Turkey’s 81 provinces.

An average of three new stores opening per day

The Company’s network of stores continues to expand rapidly, reaching customers effectively by offering them a convenient and nearby shopping destination. Since the beginning of 2015, ŞOK Marketler has opened an average of three stores daily: with 699 stores opened in 2015; 1,000 stores in 2016; 1,100 stores in 2017; and 1,000 stores in 2018.

ŞOK Marketler revived brands such as Mis, Piyale, Mintax, Evin and Amigo, all of which hold an affectionate place in consumers’ memories as domestic brands from the past. The Company brought these values back into the economy, delivering these original, long-standing and well-recognized brands to customers at affordable prices. As part of its diverse product portfolio, the Company offers customers more choices by providing its own brands together with domestic brands, and meets the majority of consumer shopping needs with high-quality, easily accessed products.

Delivering fruits and vegetables, customers at ŞOK Marketler have constant access to fresh product. ŞOK Marketler is one of the leading retailers in Turkey for personal care and cleaning products. It aims to provide the best service to customers with its differentiated business model, its everyday low price” strategy, and a range of campaigns. To this end, ŞOK Marketler uses the motto “ŞOK Is More Than Enough.” The Company is traded on the Istanbul Stock Exchange with the code SOKM.

Please visit **www.sokmarket.com.tr** for more information.

Our Business Model

ŞOK Marketler aims to offer the best service with a distinctive business model and everyday low prices” strategy, as well as a store concept tailored for customers’ needs while streamlining the shopping experience.

Proximity

Proximity is an important criterion for customers seeking convenience when shopping. As of 31 December 2018, ŞOK Marketler have a total of 6,364 stores in Turkey, with at least one in every city, aiming to become even closer to customers each day by opening around 1,000 new stores annually.

Price

ŞOK’s **“everyday low prices”** strategy is designed to boost customer demand towards competitively-priced products. The prices for ŞOK Marketler’ own brands are displayed in bright yellow boxes with the caption, **“everyday low prices.”** Such products are displayed side by side with the equivalent, best-selling products of domestic brands, which are nevertheless more expensive. In addition to this policy, ŞOK offers various promotions. Tapping into the **“everyday low price”** policy and these promotions, ŞOK Marketler consistently offers customers a better value proposition.

Choice

ŞOK Marketler is dedicated to providing customers with a wide range of choices. Accordingly, it has 1,500 different product items in its portfolio as of 31 December 2018, offering customers a ‘one-stop shop’ experience with a broad product portfolio. ŞOK provides a wide array of fresh fruits and vegetables via direct supply; stores also offer a vast range of personal care products, which constituted 3% of the total revenue in 2018. Own products, alongside domestic brands, play a major role in attracting customers to the stores, enabling ŞOK Marketler to offer a wider range of products.

Own brands

The most well-recognized domestic brands in Turkey, **ŞOK, Mis, Piyale, Mintax, Evin and Amigo**, have been revitalized by ŞOK and are now under its umbrella. ŞOK Marketler’s own brands are displayed in bright yellow boxes in the stores alongside domestic-branded, best-selling equivalent products that are, nevertheless, costlier.

Shopping experience

Based on results obtained from various customer feedback surveys, the store layout was changed to offer a clean and illuminated environment, enabling **a more convenient shopping experience with spacious aisles and shelves**: the stores are now spaces with which customers are comfortable and familiar. As consumers can easily find specific products on the shelves, they continue to return to the stores. Designed in line with a particular arrangement and product shelving diagram, this vision is implemented across the store network.

Our Shareholder Structure

ŞOK Marketler achieves its corporate goals by capitalizing on a strong shareholding structure.

Share Capital TL (31.12.2018)

Turkish Retail Investments B.V.	144,000,000
Gözde Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi	140,400,327
Templeton Strategic Emerging Markets Fund IV LDC	36,000,000
Turkish Holdings IV Coöperatief U.A.	36,000,000
Yıldız Holding A.Ş.	33,428,571
Other	3,599,673
Public Shares	218,500,000
Total	611,928,571

Rate of Share

Turkish Retail Investments B.V.	23.53%
Gözde Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi	22.94%
Templeton Strategic Emerging Markets Fund IV LDC	5.88%
Turkish Holdings IV Coöperatief U.A.	5.88%
Yıldız Holding A.Ş.	5.46%
Other	0.60%
Free Float	35.71%

Key Financial and Operational Indicators

ŞOK Marketler increased net sales up to 12,1 billion TL with a total of 6,364 stores as of the end of 2018.

- Total Assets
TL 3,3 billion
- Shareholder Equity
TL 263 million

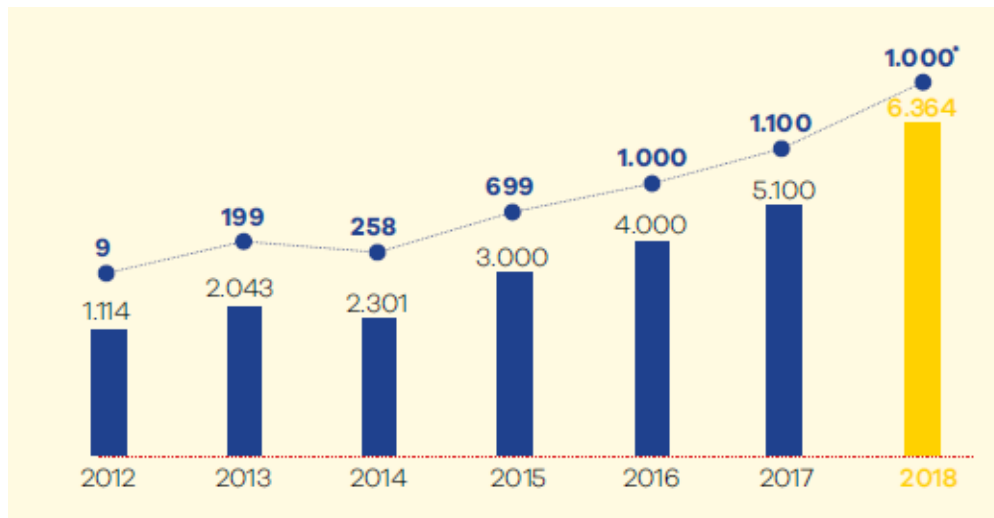
Financial Statement Summary (Million TL)

Consolidated Income Statement - Summary (Million TL)	2017	2018
Net Sales	8,920	12,061
Gross Profit	2,055	2,934
EBITDA	354	630
EBITDAR	765	1,177
Period Net Loss / Profit	(434)	67

Consolidated Balance Sheet - Summary (Million TL)	2017	2018
Cash and cash equivalents	92	296
Total Current Assets	1,078	1,315
Property & Equipment	850	978
Non-Current Assets	1,532	1,947
Total Equity	-2,185	263
Total Assets	2,610	3,262

Number of ŞOK Stores

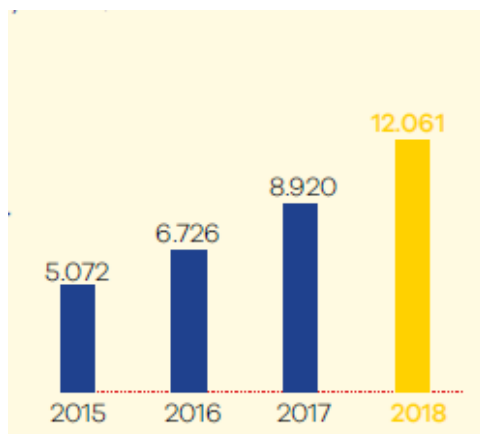
Annual store opening +1,000



* Net number of stores opened (excluding 264 ŞOK mini stores)

Net Sales (Million TL)

ŞOK Marketler announced total sales of TL 12.1 billion in 2018 by consistently increasing its business volume.



EBITDA (Million TL)

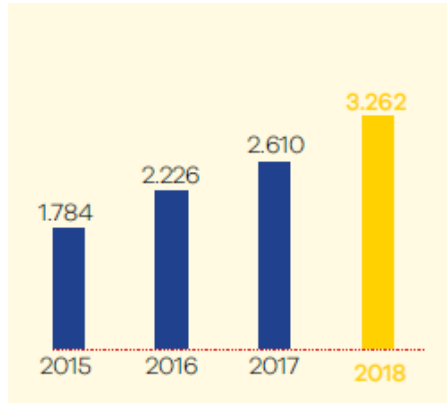
ŞOK Marketler announced an EBITDA of TL 630.2 with a 78% YoY increase, having maintained a sustainable profitability in the 2018 activity period as well.



● Margin

Total Assets (Million TL)

ŞOK Marketler has consistently continued to increase its total assets, with a YoY hike by 25%, representing 3.3 TL.



Equity (Million TL)

ŞOK Marketler effectively manages business processes with a robust equity structure.



The Success Story of ŞOK Marketler

ŞOK Marketler continues to offer high quality services, putting customer satisfaction first since 1995.

1995

ŞOK Marketler began its operations with 13 stores.

2011

ŞOK Marketler joined Yıldız Holding with 1,255 stores and 7 warehouses.

2013

ŞOK Marketler incorporated Dia S.A. discount supermarket chain with its 584 stores, Onur Ekspres Marketçilik A.Ş retail chain, which is known as "Onurex" in Turkey with its 116 stores, and Devamlı İndirim Mağazacılık (Dim) retail chain with its 18 stores.

2014

The conversion of all stores to ŞOK Marketler were completed.

2015

The new business model and store concept were developed. An average of 3 stores/day were opened for organic growth and the number of stores reached 3,000 by the end of the year.

2016

While continuing to open 3 stores a day with the new store concept, the existing 1,648 stores were converted into a new store concept. As in the previous year, 1,000 new stores were opened and the number of stores reached 4,000.

2017

ŞOK became accessible in 81 provinces and the number of stores reached out to more than 5,100.

Mobile application “Cep'te ŞOK” was developed. The app operates on a “Click and Collect” basis and with the application the Company became the first in the sector.

2018

The number of ŞOK Marketler stores reached 6,364, in 81 provinces.

With a market size of TL 2.3 billion, ŞOK Marketler undertook the greatest primary public offering of the last decade.

Public Offering

ŞOK Marketler successfully completed one of Turkey's largest public offerings in the last decade with a public offering size of 2.3 billion TL, and as of 18 May 2018, it started to be traded on BIST Stars.

Shareholding Structure

Pre-initial Public Offering



50%	<i>Turkish Retail Investments B.V.</i>
39%	<i>Gözde Girişim Ser. Yatırım Ortaklık A.Ş.</i>
10%	<i>Templeton Strategic Emerging Markets Fund</i>
1%	<i>Others</i>

Post-Public Offering



23%	<i>Turkish Retail Investment B.V</i>
23%	<i>Gözde Girişim Ser. Yatr. Ortaklık A.Ş.</i>
6%	<i>Turkish Holdings IV Cooperatief</i>
6%	<i>Templeton Strategic Emerging Markets Fund IV. LDC</i>
1%	<i>Others</i>
36%	<i>Free Float</i>
5%	<i>Yıldız Holding A.Ş</i>

We received 1.8 times higher demand overseas and 2.5 higher demand domestically!



85%	<i>Foreign Corporate Investors</i>
7.5%	<i>Domestic Corporate Investors</i>
7.5%	<i>Domestic Individual-Corporate Investors</i>

ŞOK Marketler won the first prize in the public offering category of Turkey Bonds & Loans Awards

Undertaking Turkey's one of the largest initial public offerings in the last decade, with 2.3 billion TL; ŞOK Marketler increased its capital to 611.9 million TL from 360 million TL.

This transaction undertaken by ŞOK Marketler is a testament to the trust and faith in Turkey's long-term investment potential. Continuing its journey as a rapidly-growing and transparent company, ŞOK Marketler has a free float rate of 35.71 %, while its market value amounts to 6.6 billion TL as of 31 December 2018.

During the IPO process, ŞOK Marketler organized 123 investor meet-ups and a total of 180 meetings, with the support of five investment banks. Pilot Fishing and Roadshow meetings were held in New York, Boston, UAE, London, Frankfurt and Amsterdam, with the Company's public offering being priced at 10.5 TL as of 18 May 2018.

As part of the Public Offering approval of the Capital Markets Board, ŞOK Marketler' public offering took place on 8-11 May 2018, and the company's capital was increased to 578,500,000 TL from 360,000,000 TL, and the shares issued with a nominal value of 218,500,000 TL were quoted as per the Listing Directive.

Following the completion of public offering through restriction of new share purchase rights of all existing shareholders at the Company, as per the authorized capital system, the company's capital was increased to 611,928,571 TL, from 578,500,000 TL, with a capital increase amounting to 33,428,571 TL. All of the shares issued as part of the said capital increase were allocated to Yıldız Holding A.Ş.

Critical in terms of depth of the economy and capital markets with a high demand from the investors, public offering involved allocation of the shares with a nominal value of 16,387,500 TL, accounting for 7.5% of the shares offered to public with a nominal value of 218,500,000 TL, to Domestic Individual Investors; while the shares with a nominal value of 16,387,500 TL, accounting for 7.5%, were allocated to Domestic Corporate Investors; the shares with a nominal value of 185,725,000 TL, accounting for 85%, were allocated to Foreign Corporate Investors.

Capital Prior to Public Offering	360,000,000 TL
Capital After Public Offering	578,500,000 TL
Number of Shares Issued	218,500,000 TL
Capital Increase	33,428,571 TL
Total Capital	611,928,571 TL

With the proceeds of TL 2.3 billion obtained from IPO, the Company paid its financial debts to related and non-related parties, thereby achieving a strong balance sheet.

ŞOK public offering was awarded with “IPO/Equity Capital Markets Deal of the Year”

As one of the leading Turkish retail companies with affordability policy and an extended network of stores, ŞOK Marketler undertook its public offering in May 2018, winning the first prize in the public offering category of **Turkey Bonds & Loans Awards organized by Global Financial Conferences**. The Company was entitled to the “IPO/Equity Capital Markets Deal of the Year” in the award ceremony that took place in Istanbul on 21 February 2019.

As Uğur Demirel, CEO of ŞOK Marketler, stated:

“During the public offering of our company, demands from both foreign and domestic investors—individual and corporate—well exceeded the expectations.

Investors’ enthusiasm towards the company is actually a testament of the trust in Turkish economy, our sector and company.

At a time when global and national market conditions go through a difficult time, we assumed a major responsibility as ŞOK Marketler, and we are delighted to have achieved a successful result. With a market size of TL 2.3 billion, we undertook one of the largest initial public offering in the last decade in Turkey. This transaction underlined the investors’ trust and faith in our country’s long-term investment potential, regardless of the short-term fluctuations in the markets, and we ensured a foreign capital inflow to our country at a time when needed.

We are continuing our journey and rapid growth as a transparent company.”

Investor Relations

84% of publicly trading shares of ŞOK Marketler held by foreign investors as of end of 2018. In the same period, 65% of the shares on BIST were held by foreign investors.



23%	<i>Turkish Retail Investments B.V.</i>
23%	<i>Gözde Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi.</i>
36%	<i>Free Float</i>
6%	<i>Templeton Strategic Emerging Markets Fund IV LDC</i>
6%	<i>Turkish Holdings IV Cooperatief U.A</i>
5%	<i>Yıldız Holding A.Ş.</i>
1%	<i>Other</i>

The issued capital of the Company is 611,928,571 TL, divided into two groups, and a total of 611,928,571 in registered form, of which 144,000,000 are Preferred Shares and 467,928,571 Ordinary Shares, with a nominal value of 1 TL each. The issued capital is fully paid.

Share Performance

Shares held by foreign investors in the Company were realized as 85% as of year-end 2018. In the same period, the foreign investor share on BIST was 65%.

May 18, 2018 Date of Initial Public Offering	SOKM.IS Stock Exchange Code
611,928,571 Paid-in Capital	1,800,000,000 Authorized Capital

BIST Indices that the Company is Included

BIST 100/BIST ALL/BIST TRADE/BIST SERVICES/BIST STARS/BIST 100-30/BIST 50/BIST IPO

ŞOK Marketler regularly organizes teleconferences for all stakeholders following Quarterly Financial Results disclosures.

2018 Main Indicators

TL 10.75 Closing Price

TL 6.6 billion Market Value

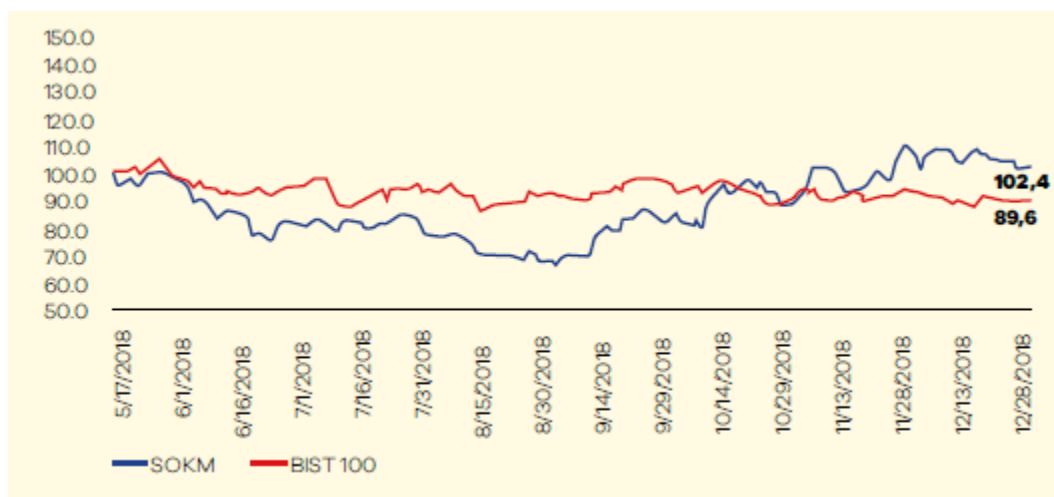
TL 11.49 Highest Price

TL 6.98 Lowest Price

TL 9.24 Average Price

84% Foreign Investors' Shares (in Free Float)

DAILY TRADING DATA AS PER CLOSING VALUES ON SOKM AND BIST-100 INDICES AS OF 31 DECEMBER 2018=100



In 2018, SOKM shares delivered a performance of 2.4 points higher than the BIST-100 Index.

	31.12.2018	1 Month (%)	3 Month (%)	6 Month (%)	Since SOKM IPO (%)
SOKM	10.75	5.7%	16.7%	32.7%	2.4%
BIST-100	91,270	-2.9%	-7.9%	-3.3%	-10.4%

Investor Relations Activities

In 2018, more than 350 meetings took place with existing and potential, domestic and foreign institutional and individual investors and analysts in Turkey and abroad, with the participation of senior management, in order to share information regarding the Company's operating results and performance, as well as other developments within the period.

Furthermore, the Company regularly organizes live webcasts for all stakeholders promptly following the disclosure of quarterly financial results. The Company attends conferences and meetings held in Turkey and abroad to update shareholders and investors. In 2018, four conferences were attended in Turkey and abroad, and a roadshow was organized.

The Company's website (www.sokmarket.com.tr) is available in two languages, Turkish and English.

Investor Relations page in Turkish: <https://sokmarketyatirimciiliskileri.com/tr/>

Investor Relations page in English: <https://sokmarketyatirimciiliskileri.com/en/>

Material event disclosures made by the Company, as well as copies of the presentations used in meetings, are available on the Investor Relations website of the Company. Quarterly financial results and other relevant information, as well as annual reports in Turkish and English, are also available on the website.

In addition to traditional information channels, various communication tools are also used for public disclosure purposes. Material event disclosures are sent directly to stakeholders, by e-mail, if they have further inquiries and provide their contact information via the website and other channels.

Message from the Chair of the Board of Directors

Esteemed Shareholders, Stakeholders and Employees,

Key trends in the food retail industry are rapidly evolving worldwide. At present, we are experiencing the effects such changes all more closely. As we edge towards the 2020s, we are acquainted with "new retailer," "new product and producer" and "new shopper" concepts. Consumers with heightened price awareness and sensitivity shape the production and the future of the industry through their preferences. Having further accelerated its rapid and healthy growth with one of the most successful IPOs of the last decade, ŞOK Marketler remain the closest brand to its consumers with its service quality and affordable price policy.

As the rising star of the retail industry, discount stores stood out as the format achieving the biggest growth in store numbers at 34% in the last two years. The number of stores in the modern channel in Turkey reached almost 31,000. With ŞOK Marketler launching its initial public offering in 2018, Turkey saw one of its biggest IPOs over the last decade. Thanks to the successful IPO, we achieved healthy growth along with a robust financial balance sheet. In 2018, we made further contributions to this success by bringing the total number of stores to 6,364 and the total number of our employees to over 27,000 thanks to a TL 337 million investment. By achieving a turnover of TL 12.1 billion, and a sales growth of 35%, we became one of the fastest growing companies in Turkey in terms of the number of stores and turnover. In order to improve the local economy while boosting customer satisfaction, we established a price policy that keeps the consumer price inflation in check and supports the battle against inflation. Our competitive edge is further bolstered by our ability to offer almost all the basic goods across approximately 1,500 product lines to our customers across Turkey's 81 provinces.

The growth of the Fast-Moving Consumer Goods (FMCG) industry was influential in the development of food retailing. Growing through innovation, the industry increased its total turnover by 19% in spite of the rising prices in milk, household cleaning and paper products. The consumers' price awareness rose from 69% to 91%. Interest in the already high-growth lines of healthier products, especially the organic group increased.

According to the analysis by the consultancy MK Novo, the Turkish grocery retail market will continue to grow in 2019 and 2020 in tandem with the expansion of the modern channel and the increase in household consumption. Accounting for 40% of food retail business, the modern channel will be worth TL 209 billion by 2023 achieving a 4% increase in its market share. However, despite all this, Turkey still lags far behind other European markets in this field. Therefore, we believe there is a huge white space to explore for the industry. As ŞOK Marketler, we are placed beyond the discount market category thanks to our new and unique business model. Furthermore, we are also able to fulfill our customers' affordable price expectations. Due to increased digitalization across all socioeconomic and age groups, we aim to continue to develop our e-commerce activities and gradually roll out the technologies introduced by the Industry 4.0 that shape the retail business.

As part of our sustainability efforts, we investigate the environmental, social and financial impacts of our operations and disclose them transparently to the public. We prioritize the fulfillment of our employees, satisfaction of our customers and the development of our suppliers as we create added value for our stakeholders through a sustainable business model and achieve competitive advantage in the

market. Our first sustainability report published in 2018 highlights the growth achieved in product quality and customer satisfaction, our equal opportunity and fair governance policies, investments in employee training, affirmative practices to boost female employee numbers, emphasis on occupational health and safety, and savings in energy consumption with carbon emissions. We reap the rewards of our efforts through industry awards we receive. The fact that ŞOK Marketler were named "Best Discount Market for Customer Experience Management" at Marketing Türkiye Magazine's 2016 A.L.F.A Awards and the "Best Digital Channels Project" at IDC Retail Technology Awards 2017 for our mobile application "Cep'te ŞOK" indicates we are on the right track. We firmly believe that we can add value to our financial and other assets through our sustainability efforts.

Our goal for 2019 is to remain the most preferred retail brand and generate value for our investors. Thanks to our competent management team and our organizational structure across every level; our investment and governance policies, our audit mechanisms, our transparency policy and our sustainability practices, we are confident about accomplishing this goal.

I would like to extend my gratitude and thanks to our shareholders for redoubling our power through their support, our stakeholders for sharing our common vision and goals, our valuable employees and our customers for their appreciation of our efforts.

Yours sincerely,

Cengiz Solakoğlu

Chairman of the Board, ŞOK Marketler Tic. A.Ş.

Board of Directors

The members of the Board of Directors, comprising six people, were elected for a term of three years in the 2017 Ordinary General Assembly meeting held by ŞOK Marketler on 18 July 2018. Members' names and roles are as follows:

Full Name	Title
Cengiz Solakoğlu	Chairman of the Board of Directors
Ali Ülker	Vice Chairman of the Board of Directors
Mustafa Yaşar Serdengeçti	Member of the Board of Directors
Erman Kalkandelen	Member of the Board of Directors
Ahmet Bal	Member of the Board of Directors (Independent)
Ceyda Aydede	Member of the Board of Directors (Independent)

Cengiz SOLAKOĞLU

Chairman of the Board

Cengiz Solakoğlu has been a member of our Board of Directors since 2011. He has also been an independent board member of Bizim Toptan Satış Mağazaları A.Ş. ("Bizim Toptan"), a Yıldız Holding company in the wholesale business, since 2011. Prior to joining Bizim Toptan, Mr. Solakoğlu served at Beko Ticaret A.Ş. as sales representative, then general manager, and worked as the general manager of Atılım A.Ş. (part of the Koç Group) for 8 years. He served as the vice president and general manager of Koç Holding Consumption Group. Mr. Solakoğlu is a co-founder of 1907 Fenerbahçeliler Derneği and Eğitim Gönüllüleri Vakfı. He was awarded Leader of Civil Society by Ekonomist magazine in 2003. Mr. Solakoğlu graduated from Istanbul Economic Trade Sciences Academy (now Marmara University).

Ali ÜLKER

Vice Chairman of The Board

Ali Ülker was born in 1969 and educated in the Business Administration Department of the Faculty of Economics and Administrative Sciences at Boğaziçi University, Istanbul. He has also attended various programs at IMD and Harvard. He worked in the Internal Kaizen Projects at De Boccard & Yorke Consultancy (1992) and on IESC Sales System Development and Internal Organization Projects (1997). Mr Ülker joined the group in 1985 as an intern in the quality control department of Ülker Gıda. From 1986 to 1998 he worked at chocolate production facilities and at Atlas Gıda Pazarlama in positions including sales manager, sales coordinator, product group coordinator, and product group director. In 1998 Mr Ülker became general director of Atlas Gıda Pazarlama, and in 2001 became the general director of Merkez Gıda Pazarlama. In 2002, he rose to vice chairman of the food group and in 2005 chairman of the group. Working as vice chairman of the Yıldız Holding Board of Directors since 2011, Ali Ülker is also the chairman of the Global Innovation Group and Quality Group and acts as Chief Synergies Officer. Ali Ülker is married with three children. He enjoys fishing, cinema and literature, as well as playing basketball and billiards.

Mustafa Yaşar SERDENGEÇTİ

Board Member

Mustafa Yaşar Serdengeçti has been a member of our Board of Directors since 2011. He has also been the President of the Retail Group of Yıldız Holding since 2010 and is also the Vice Chairman of the board of directors of our related party Bizim Toptan. Mr. Serdengeçti has previously also worked at Deva Holding Financial Controls Department and as the Deputy General Manager and General

Manager of İstanbul Gıda Dış Ticaret A.Ş., and previously served on the board of Netlog Lojistik Hizmetleri A.Ş. Mr. Serdengeçti graduated from İstanbul University School of Economics.

Erman KALKANDELEN

Board Member

Erman Kalkandelen has been a member of our Board of Directors since 2011. He has also been a country manager for Franklin Templeton Investments, responsible for research of companies in Turkey, the Middle East and Eastern Europe. He is a member of the board of Defacto Perakende Ticaret A.Ş. and of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("Gözde"). Mr. Kalkandelen has an MBA degree from Sabancı University and has studied strategic management at Florida University, Warrington School of Business Management, and he has finished the business economy program at Ankara University, Political Science Faculty.

Ceyda AYDEDE

Independent Board Member

Ceyda Aydede Ceyda Aydede was graduated from İzmir American College and Boğaziçi University Engineering Faculty Industrial Engineering and she completed the Retail Communication Program at Hesser College (New Hampshire, USA). She worked as an Assistant Auditor at Arthur Andersen from 1977 to 1979, as Sales Manager at Migros T.A. between 1979-1986 and as Public Relations and Research Manager at Migros Türk T.A. between 1986- 1989. She founded Global Promotion and Public Relations Company in 1989. Ceyda Aydede transferred majority of her shares to WPP in 2008 and served as Chairman of Global Hill and Knowlton until 2013. She is a partner in H + K Strategies company today. Aydede gave public relations lessons for over 20 years at various universities. She wrote 4 books, which of their names are; A Professional Relationship: Public Relations Campaigns,; Media and Public Relations, Blog Age with Virtual Media Diaries and Rising Trend: Corporate Social Responsibility. Ceyda Aydede had been the Chairman of IPRA (International Public Relations Association) in 2003 and she is the founding member of Women's Entrepreneurs Association of Turkey (KAGİDER), and member of TÜHİD (Turkey Public Relations Association), and PRSA (American Public Relations Association). She is also a member of the Board of Trustees of the Boğaziçi University Foundation (BÜVAK) and the Board of Trustees of the Health and Education Foundation (SEV), had been the Chairman between 2013 and 2015.

Ahmet BAL

Independent Board Member

Ahmet Bal was born in Tokat in 1957. In 1981, he graduated from the Department of Economics and Finance of the Faculty of Political Sciences of Ankara University and entered the Board of Accountants of the Ministry of Finance. He received the title of Chief Accountant and Certified Public Accountant in 1991. Mr. Bal received his MBA degree in Business Administration from Nottingham University in England in 1992. He started to work as an Assistant Financial Affairs Coordinator in Anadolu Endüstri Holding in 1994. He carried his duties as Finance Director in Efes Sinai Yatırım Ticaret A.Ş. between 1995 and 1998 and as General Manager between 1998-1999. He served as the Financial Affairs Coordinator for the Automotive, Finance and Stationery companies in Anadolu Endüstri Holding's Financial Affairs Department between 1999-2006. He worked as the Audit Coordinator responsible for all Group companies Anadolu Endüstri Holding between 2006-2012. From 2013 to 2018, he served as the Audit President responsible for the audit of all Anadolu Group companies. Ahmet Bal is married and has two children.

Message from the CEO

Esteemed Stakeholders,

As ŞOK Marketler, we are the fastest growing store chain in Turkey's grocery retail industry, as well as a pioneer of the industry through our innovative and growth-oriented business model.

As you all know, we concluded a year of significant economic developments in Turkey and the world. At this period of challenging market conditions due to global and local factors, we assumed a great responsibility as ŞOK Marketler and are pleased to have achieved successful results. One of the biggest achievements in 2018 was the initial public offering of ŞOK Marketler shares. Valued at TL 2.3 billion in the first half of the year, we conducted one of the Turkey's largest initial public offerings over the last decade and increased our capital of TL 360 million to TL 611.9 million. We sustain our growth with a focus on high-performance culture. In 2018, we continued to boost our performance thanks to the new stores launched, our successful business model, market position, competent staff and dynamic business structure. Our net sales increased by 35% compared to 2017 and reached TL 12.1 billion. We minimized financial indebtedness and bolstered our balance sheet through the revenues obtained by the IPO. Outperforming our sales growth, we increased EBITDA profitability by 5.2% and concluded 2018 with a net profit of TL 67 million.

We conducted a range of special campaigns within the framework of our 2018 sales strategy. Our campaigns launched with the taglines "What Shall I Cook Today," "More than Enough" and "Deals of the Week" obtained several awards. Our investments worth a total of TL 337 million in 2018 supplied funds into the local economy. With a 1,000 new ŞOK stores launched and another 264 converted into ŞOK Mini stores in 2018, we now reached a total of 6,364 stores across Turkey's 81 provinces. We continued our policy of creating another 4,000 jobs on average every year in tandem with new store openings and started 2019 with over 27,000 employees.

We will continue to maintain our rapid growth through our original business model which brought a new breath to Turkey's food retail industry by combining the edges of supermarkets and discount stores. We remain one of the fastest growing actors in the food retail industry by boosting the sales performance of our stores. We are aware that the share of modern retail channel is growing by each day in Turkey and across the world. As ŞOK Marketler, we believe in the growth potential of our Company and the market we operate in and forge ahead with our growth-oriented activities.

Finally, I would like to share with you our pleasure over the publication of our first ever Sustainability Report in 2018. Laying out how our operations are conducted in a competitive climate with a huge team, the focus of our Sustainability Report was the fulfillment of our employees, the satisfaction of our customers and the development of our suppliers. In 2019, we aim to implement our sustainability approach with maximum efficiency across all our operations.

We are mindful of the contributions and confidence of all our stakeholders in making 2018 a very special year full of success stories for the Company. As we continue our growth in 2019 in line with our targets, our work as ŞOK Marketler will be guided by our goal of satisfying our suppliers, customers and shareholders and a strong focus on the food retail market and developments.

Yours sincerely,

Uğur Demirel

CEO, ŞOK Marketler Tic. A.Ş.

Turkey's Food Retail Market and the Position of ŞOK Marketler¹

The Turkish food retail market is the seventh largest market in Europe in terms of household spending.

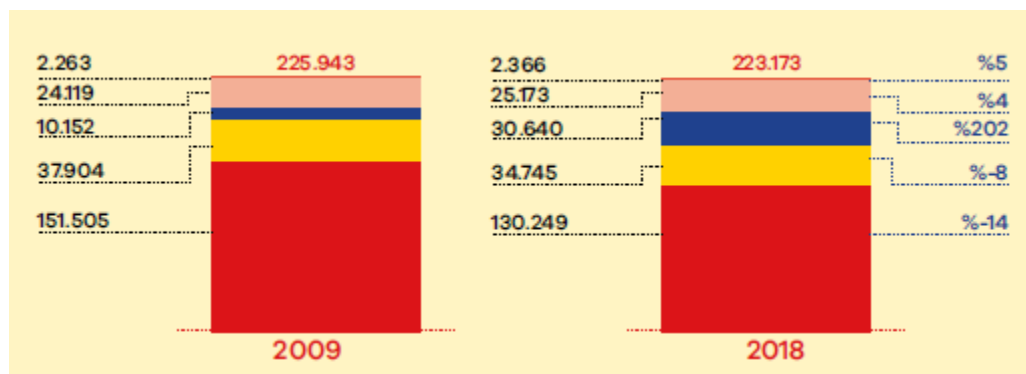
The Turkish food retail market, at 37.1 billion TL in 2002, grew to 218 billion TL in 2016; it is the seventh largest market in Europe in terms of household spending. Over the past ten years, the Turkish food retail market has seen significant changes. 'Traditional channel' sales points, also including small-scale and independent grocery stores that are generally run by families, dominated the market, until the emergence of 'modern channel' retailers (e.g. supermarkets, hypermarkets and discount retail stores). Modern channel stores continued to gain market share, over time, from traditional channel stores, accounting for 40% of the Turkish food retail market in 2017. The period between 2012 and 2017 marked the fastest growth in market size of the discount retail segment in the modern channel, with a compound annual growth rate (CAGR) of 28%, compared to 11% and 13% CAGR in the entire modern channel and traditional channel, respectively.

¹(Source: MK Novo Report)

The number of modern channel stores tripled between 2008 and 2018.

Retail Space

Change (2018 vs 2009)



Perfumes
Pharmacy
Modern Channel
Assorted Dried Nuts Sellers, Kiosks, Convenience Stores at Gas Stations
Grocery Stores

(Source: Nielsen Census)

In the past two years, the discount store format has seen the largest increase in the number of stores.

Change in Number of Stores (%)

December 2018 vs 2016

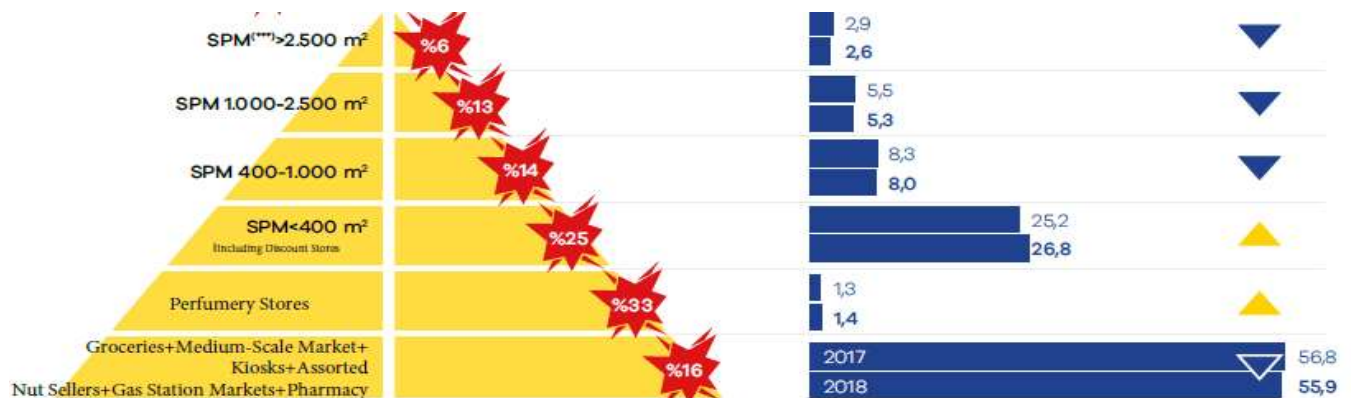


Channels and Turnover Growth (%)*

Turnover Weight (%)

Total FMCG: 18%

Total FMCG=100



* Source: Nielsen Retail Panel

Small-format supermarkets with an area of less than 400 square meters, including discount stores due to the size of their turnover, were the fastest growing in the dominant modern channel, with 26.8% turnover and 25% growth in 2018.

In ten year period between 2019 and 2018, modern channel stores including discount markets increased three-fold. It can be observed that discount markets contributed to this change. In the last two years, the market share of the discount retail segment increased 31%.

Urban population and household spending increased between 2000 and 2017, while the middle-income class grew by almost three folds between 2002 and 2016. As shopping malls grow in number, discount stores are becoming increasingly popular. Currently, the urban population in Turkey is in parallel with that of Russia, France and the UK. The food retail industry is projected to further grow in the future, taking note of these developments. Turkey's growth potential in modern channels can also be observed by looking into the modern channel shares in Turkey and other countries for the year 2018 in turnover. According to data from Nielsen, the FMCG market share grew 18% in 2018 and taking turnover of the fastest growing markets into account, reached 25% including six market channels which

are under 400m². According to the data of MK Novo, the market share of discount retail segment which was 18% in 2017 is estimated to reach for 24% in the total Turkish food retail market by 2023; and 31% by 2030. In the discount stores segment, it is suggested that 13,000-17,000 stores will potentially be added to the existing number of 18,000 stores by the year 2030. The growth is mostly expected to take place in metropolitan cities like Istanbul, Ankara, Bursa, Izmir, Antalya, as well as other big cities.

ŞOK Marketler increased its market share in discount retail segment by opening new stores and growing sales in current stores. Between 2012 and 2017, while increasing number of stores by 35% and sales by 46%, ŞOK Marketler managed to be one of the fastest growing companies in the food retail sector. The Company's turnover increased from 8.3% to 19.3% in discount retail market.

¹ (Source: Nielsen)

² (Source: MK Novo Report)

Our Stores

ŞOK Marketler offers customers an easy in-store shopping experience via a spacious store concept designed in accordance with survey findings.

- **81** Cities
- **6,364** Stores
- **+27,000** Employees

	The Number of ŞOK Stores	Net Number of Stores Opened
2012	1,114	9
2013	2,043	199
2014	2,301	258
2015	3,000	699
2016	4,000	1,000
2017	5,100	1,100
2018	6,364	1,000*

** Excluding 264 ŞOK Mini stores*

ŞOK Marketler managed supply processes with a total of 25 distribution centers in 2018.

Conducting operations with the goal of continuous development, ŞOK Marketler increased the number of its total stores to 6,364 by opening 1,000 new stores in 2018, excluding ŞOK Mini stores, with an investment of TL 337 million; the number of employees over 27,000, demonstrating significant employment creation. In May 2018, the Company's net profit for 2018 was actualized as TL 67 million upon its ranking among the top largest 10 public offerings of the last decade. Effective utilization of public offering revenue solidified the Company's financial and operational agility. Offering services in two types of stores —ŞOK and ŞOK Mini — ŞOK Marketler acquired Istanbul-based UCZ wholly in June 2018, turning its branches into ŞOK Mini stores.

The shopping experience is the number one priority

With an orderly and spacious layout that offers an easy shopping experience for customers in each and every store, ŞOK Marketler provides a convenient shopping environment with accessible shelves and enhanced illumination. Additionally, the standard shelf display plan makes it easier to determine the inventory to be topped up, and stock turnover increases efficiency in terms of staff volume and in-store audits. ŞOK Marketler' own brands are displayed in easily-recognizable bright yellow boxes designed by the Marketing Team. These yellow boxes ensure that ŞOK's own brands can be easily recognized, as well as presented in a standard manner, and highlight the slogan "everyday low price." A ŞOK product is displayed alongside an equivalent domestic-branded product, with the price tag of each one indicating the price per product. Such placement makes it easier to compare the products, which, in turn, makes it possible to compare the Company's own brands with prominent national brands, in line with the pricing policy. Moreover, the ŞOK logo is highlighted with bright yellow and red colors, in the exterior parts of stores, to ensure that the signs are noticed quickly to draw attention.

Teközel Gıda acquired

As the producer of ŞOK Market own brands, the supplier Teközel undertook the majority of supplier operations. In December 2017, Teközel was acquired by Yıldız Holding, with 55% of the shares. Upon this acquisition, the Company started to supply the products of its own brands directly. The remaining 45% of Teközel Gıda shares was purchased for TL 25.6 million in 2018.

Managing supply operations from 24 distribution centers, each based in rented premises, as of 31 December 2017, ŞOK Marketler in 2018 started to manage supply operations with a total of 25 distribution centers across 81 provinces; each distribution center services an average of 245 stores. ŞOK Marketler aims to sustain its growth in the upcoming period as well, in order to create value for our customers and the national economy.

Our Distribution Channels and Supply Chain

ŞOK Marketler enjoys broad and diverse procurement sources, comprising more than 1,000 suppliers, and is becoming an important actor for suppliers, thanks to its consistent growth.

- *1,000+ Number of Suppliers to ŞOK Marketler*
- *Most of the products displayed on ŞOK Marketler's shelves are supplied from local firms*
- *ŞOK Marketler distributes products to stores rapidly and effectively through a network of 25 distribution centers.*
- *ŞOK Marketler offers fresh fruits and vegetables on a daily basis.*

ŞOK Marketler aims to support the growth of domestic producers, with its distribution channels and a supply chain that it treats as the rings of a value chain. Most of the products displayed on the Company's shelves are supplied from local firms, while tremendous efforts are undertaken to support small-scale producers and protect local products. The Company places importance on its suppliers' growing in line with its own organic growth. In fulfilling the Company's quality standards and working conditions, suppliers raise their own quality standards and expand their product range. Defined as a process of mutual learning, this relationship is based on a win-win approach.

Fresh fruits & vegetables from Mevsim

ŞOK Marketler distributes products to stores rapidly and effectively through a network of 25 strategically positioned distribution centers. Products are distributed to stores across 81 provinces, while fresh fruits and vegetables are supplied via Mevsim, a subsidiary of the Company. Thanks to Mevsim, fresh fruits and vegetables are delivered to stores directly from the distribution centers, eliminating the need for multiple middlemen. Automatic inventory renewal tools are utilized, recognizing that freshness is a priority for customers when it comes to this product group; thus, these products are delivered to stores from distribution centers within 24 hours via the existing distribution network.

Products sold at stores are procured in accordance with supply contracts. In addition to the contracts concluded with Teközel, which supplies the Company's own brand products, there are companies that act as primary suppliers.

Supply contracts govern the delivery of products to ŞOK Marketler by suppliers; product storage; responsibilities of the parties in the event of damages/losses and defective goods; and the terms of purchase and return. Furthermore, in the majority of contracts regarding the supply of tobacco products, parties also agree on the shelf standards and conditions regarding the preservation of goods.

Comprising over 1,000 suppliers and various procurement sources, ŞOK Marketler grows consistently, which, in turn, makes the Company a key client for suppliers – a client that develops in importance. Additionally, the supply chain is managed successfully through methods developed by ŞOK Marketler. ŞOK opted for a process in which fresh vegetables and fruits are directly delivered to the stores without use of intermediaries, and this is how it is able to offer customers fruits and vegetables in their freshest condition, within 24 hours of delivery from the distribution centers to the stores.

Business Ethics

We utilize impartial methods and practices to measure our employees' performance, and ensure, looking at their results, that they are offered opportunities for improvement in the related areas.

We provide our employees with a working environment where they feel safe, comfortable and valued, and that fits the nature of the job performed.

Impartiality Principle

In conducting our activities and operations, we treat public institutions, organizations, civil society organizations and political parties equally, without seeking interest.

Commercial and Financial Rights

Any commercial/financial rights of intellectual properties generated by our employees using Company resources, are the property of ŞOK Marketler.

ŞOK Marketler Code of Conduct

Regulatory Compliance and Responsibilities

We conduct all activities and operations in Turkey and abroad in compliance with applicable laws and international law. We value accurate and timely communication in our relations with regulatory authorities. We conduct business in compliance with the law, regulations and professional standards, as well as the Yıldız Holding Code of Conduct.

Human and Employee Rights

We respect human rights, individual differences and the personal traits of individuals. We are committed to providing equal opportunities to our employees and candidates who apply for a position in the Company. We protect the confidentiality of their personal information. We do not discriminate with regard to gender, race, religion, language, marital status, political opinion and disability.

We provide our employees with a working environment where they feel safe, comfortable and valued, and that fits the nature of the job performed.

As ŞOK Marketler, we reject the use of child labor other than in those cases permitted by law. We do not work with any supplier or contractor that uses children as a means for labor. We utilize impartial methods and practices to measure our employees' performance, and ensure, looking at their results, that they are offered opportunities for improvement in the related areas. We promote a system where solidarity and collaboration are fundamental, and achievements are shared, rather than tolerating a negative environment based on competition. We encourage off-time social activities that enrich our employees' social lives.

We consider it fundamental to stand in solidarity with employees and their families in extraordinary situations such as natural disasters.

Mobbing

Mobbing is defined as intimidation of employees by psychological violence, pressure, obstruction and harassment. We develop measures to prevent mobbing attempts – which are considered a crime in Turkish Criminal Law – that will protect our employees against such treatment. We care about protecting our employees' dignity and we do not tolerate any breach of their personal values or allow them to be terrorized by emotional attacks of any kind, including psychological pressure and harassment, from any person or organization.

Environment, Health and Safety

As an environment-friendly company, we conduct our activities in full compliance with environmental legislation. We work to prevent the pollution of air, water and soil, while implementing recycling and re-use processes to minimize waste. We develop methods to protect natural resources including energy and water conservation and undertake efforts for efficient use of energy and materials.

We identify risks for urgent environmental issues and take measures to minimize them. We provide employees and subcontractors with courses on environmental protection to raise their awareness. We observe all laws and regulations on occupational health and safety. We implement the principles of 'Risk Management' in order to create a safe and healthy working environment. We ensure and require that adequate personal protective equipment is used, and that safety measures are taken. We prohibit the use of alcohol and drugs at work, and/or in a manner to impact performance, and we prohibit smoking in areas other than designated smoking areas.

We ensure that our employees are aware of their important responsibility and role in the implementation of corporate policies and regulations on workplace health and safety. We value the health of society and consumers as a retail company.

Our Responsibilities to Shareholders

We manage the resources and assets of our company with efficiency and foresight, in favor of the interests of our shareholders. We also consider shareholders' opinions in decision-making processes. We regulate our relations with them in the context of financial discipline and transparency. Any sales and purchase transactions regarding our public company are conducted in accordance with legal procedures.

We invest in areas that will boost our competitive power and generate high returns by taking into account sustainable profitability. Our announcements to the public and shareholders provide timely, accurate and comprehensible information regarding our financial statements, strategies, investments and risk profile within the scope of the applicable laws.

Political Activities

ŞOK Marketler does not engage in collaborative or supportive actions with political parties or groups acting for their interests and does not conduct activities on behalf of political parties. Any decisions by our employees to contribute to any political or social activity are entirely personal decisions. However, we request that our employees conduct their political activities outside working hours and that they do not solicit their colleagues regarding these topics. Furthermore, our employees are strictly prohibited from using the Company name, their position, their title or the Company's resources for any political activities.

Social Responsibility, Volunteering, Donations and Sustainability

In line with our social awareness, we participate in projects to contribute to the development of society and we make donations. We require that our corporate donations and social support are carried out for

projects, organizations and institutions in compliance with our internal regulations, the Yıldız Holding Code of Conduct and the Company's reputation. We do not provide donations for private accounts and for-profit organizations. We encourage employees to participate in social activities in such fields as the environment, health, education and sports, provided that their individual volunteering efforts are undertaken with their resources, take place outside the workplace and do not interfere with their performance. We pursue human and social healthcare and protect the environment in our own activities and in the activities of our suppliers and business partners.

3. Our Responsibilities to Individuals

Relations with Public Organizations and Institutions

In conducting our activities and operations, we treat public institutions, organizations, civil society organizations and political parties equally, without seeking interest. We avoid any relation, influence and action that may interfere with taking fair and impartial decisions regarding our activities. We do not provide any benefits of pecuniary and non-pecuniary value to public officials. We provide timely, accurate, correct and comprehensive information to the public and our shareholders. We provide the public with any kind of information, including developments and changes, that might have an effect on the value of the investments traded in the capital markets, within the legally defined terms. We protect the confidentiality of insider information that has not yet been made public. We hold employees who are involved in bids, tender preparations and negotiations accountable for the accuracy and truth of all their statements, correspondence and declarations to relevant parties.

Relations with Suppliers and Business Partners

Honest and fair treatment in our relations with suppliers and business partners is always essential for us. We expect suppliers and business partners to comply with ŞOK Marketler's Ethical Principles and Code of Conduct, to share these values, and act accordingly. We make it mandatory for our suppliers and business partners to maintain compliance with laws and regulations, to respect their employees' rights, and to observe standards in such fields as environmental protection.

Relations with Customers and Consumers

The satisfaction and comfort of our customers and consumers is a top priority. We abstain from practices that are unfair or misleading in our relations with them. We handle customers' requests and complaints and take them into account in our decisions. We promptly solve any and all supplier-related problems from the time of shipment to delivery, and work to make sure product quality exceeds customers' expectations. We aim at providing the best service by focusing on changing customer and market needs.

Relations with Competitors and Compliance with Competition Laws

We are committed to acting in full compliance with applicable fair competition rules and applicable laws and regulations in effect in Turkey. We require our employees to comply with these laws and regulations. We do not deliver statements against our competitors and their directors and abstain from any remarks that may lead to speculations about them. We do not resort to unethical means to access information about other companies. We also have practices in place that prevent employees from resorting to such means. We prohibit employees from delivering remarks on information that shapes or impacts our competitive actions. Furthermore, we do not tolerate industrial espionage by our employees, nor bribery and/or theft.

Media Relations

We follow an open and transparent communication model with the media. We ensure that our corporate messages, information and announcements do not mislead public opinion. We treat all media

organizations equally and impartially. We respond to requests from the media regarding ŞOK Marketler' financial data or the sector in coordination with the Corporate Communication Department in charge of these matters. We forward inquiries and requests from the media to the relevant departments. We prefer to have written communications with the media.

Distinction of Corporate and Personal Interests

Definition of Conflicts of Interest

A situation in which employees, family members and close relatives benefit from commercial activities conducted with the suppliers of ŞOK Marketler is defined as a conflict of interest. We do not permit employees to work in the position of the Company's supplier. Similarly, neither their families nor relatives may be suppliers of the company our employees are bound with. We prohibit employees from investing in, or lending money to, our suppliers in a manner that conflicts with corporate interests. Similarly, we do not allow our employees to benefit from special advantages and conditions provided by the supplier to the Company for their personal interests. We advise employees to consult Yıldız Holding's Ethical Board and their supervisors to determine whether actions of this nature constitute a conflict of interest.

Accepting or Giving Gifts or Benefits (Credit, Discount etc.)

We prohibit employees from giving or receiving cash or redeemable gifts from ŞOK Marketler's suppliers that might have an impact on their impartiality and decisions. Our employees are rewarded with gifts through the internal reward system in place at the Company. Employees are obliged to comply with relevant corporate regulations on accepting and giving gifts.

Investments by Employees

We compel the employees of our public companies and their employees who have internal access to information to act in accordance with the Disclosure Policy and regulation of the relevant company. We prohibit our employees from investing in or lending money to the parent company or branch of any supplier affiliated with the Company without the permission of the Chairman; or demanding profit from special benefits and conditions introduced to the Company for the suppliers or customers, for personal interest.

Purchase and Sales Policy of the Company's Equity Shares

We compel our employees to comply with legal regulations and the Company's internal procedures regarding the purchase and sale of Company equity shares to avoid any conflict of interests.

Duties Outside the Company

We expect our employees to comply with their employment agreements and loyalty rules. In accordance with the Company's enforced regulations, we do not permit our full-time employees to work for any other organization outside our Company. We do not permit our employees to conduct activities directly or indirectly defined as 'tradesman'. Likewise, our employees are not permitted to be employed by competitors or companies that have business relations with the Company. We allow our part-time employees, or employees with consultant status, to conduct outside activities, with the exception of competitors, provided that they inform the management of the company they are affiliated with.

Participation by Employees as Speakers in Events

According to the Company information policy, appointed Company spokespeople/representatives may share information approved by the corporate communication and other relevant departments with the

public. Any charges incurred due to any duty representing the Company, conducted in any kind of association, employer union or similar non-governmental organization shall be covered by the relevant organization. Any payments made by employees of ŞOK Marketler in exchange for a seminar speaker charge or similar service shall also be covered by the relevant organization. With the exception of gifts with pecuniary value, our employees may accept symbolic mementos such as awards, shields, plaques, etc.

Relatives and Friends

Managers authorized for employment decisions may not hire their first-degree relatives and their relatives. We require our employees to notify the Company in written form within one month in the case that any of their first-degree relatives are employed in critical positions by any competitor.

Representation and Entertainment

We have representation funds available for customer entertainment and expenses for business meeting costs. We expect that representation funds to be spent solely for the relevant events and we do not allow transfers between budget expenditure areas. It is essential that all expenditures are documented by invoices; invoices from other entities may not be obtained for expenditures that are not invoiced. We require legally compliant notes of expenses where necessary. Non-deductible expenses are kept in non-deductible expense accounts and are recorded to the receivable accounts of the relevant companies. Business-related entertainment activities are carefully examined according to corporate standards and relevant internal regulations and are approved by the Company's senior management. Any entertainment expenses other than these are not permitted.

Insider Information

Our employees are prohibited from disclosing any publicly undisclosed information to third parties, either for their personal interest or for the interest of anyone outside the Company. It is strictly prohibited for any employee with access to insider information to profit and/or provide profit to third parties by using such information (insider trading). Persons with access to insider information include the Chairman and the Members of the Board of Directors of the public company, managers (directors and senior management), auditors, those who may have access to insider information during the execution of their professions and duties, and those who directly or indirectly may have access to insider information because they are known to have contact with the persons mentioned above. We compel the employees of the public ŞOK Marketler, and our employees with access to corporate information, to comply with the obligations indicated in the relevant Communiqué of the Capital Markets Board and Company policies. Employees of ŞOK Marketler, other than those indicated above, may freely purchase and sell ŞOK Marketler equity shares, assessing publicly disclosed information without any time limitation. The practices indicated above are also applied to first-degree relatives of the persons mentioned above, and any procedures conducted by first-degree relatives shall be considered to have been conducted by the persons mentioned above.

Anti-Money Laundering and Anti-Corruption

Any kind of aiding and abetting of a person committing a crime or breaking the law by means of legitimizing the sources of income or merchandise, providing direct or indirect profit using deceptive means and tools, participation in any process aimed at investment, or concealment or laundering of the resources obtained by means of such activities, are defined as money laundering.

We compel our employees to take great care to fight against money laundering and corruption. For this purpose, our employees are obliged to comply with all provisions of the enforced laws, regulations and Company policies.

ŞOK Marketler is committed to fighting against money laundering activities and supporting efforts regarding the prevention of money laundering activities.

Protection of Company Assets and Data Confidentiality

Protection of Corporate Assets

Our employees are responsible for proper use of all active assets and resources of the Group, including intellectual property rights, technology, computer hardware and support, software, immovable properties, machinery and equipment, raw materials, company vehicles and cash reserves.

The equipment, systems, facilities and assets of ŞOK Marketler may be used solely to execute the operations of the Company, or for purposes permitted by the management. Unless it is otherwise specified in the regulations published by the Company, Company assets may not be used for personal purposes or for the benefit of any person outside the Company.

We expect our employees to use Company assets in compliance with corporate principles and regulations. We take preventive measures against the use of Company assets by unauthorized third parties or damage to Company assets.

Use of IT Resources

The IT resources of ŞOK Marketler contain all computer hardware owned, leased by or leased to the company. The hardware in question covers any kind of software, PCs, laptops, network servers, internet access, intranet and e-mail access devices.

All IT resources of ŞOK Marketler, any information created, stored or transferred using these resources are the property of ŞOK Marketler. Our employees are required to use these resources properly and responsibly for work purposes in accordance with the laws and company regulations, and take necessary precautions to protect these resources and prevent the access by unauthorized third parties.

Confidential Information and Principles of Protection of Confidential Information

The scope of the confidential information of ŞOK Marketler includes, but is not limited to, the following:

“Commercial information, technical data, financial data, production data, customer information, personal information, product information, equipment and application information, technical formulas and drawings, system and program information, purchase information, engineering information, regulations, work plans and all information not disclosed to the public.” This information is not defined as confidential but is confidential. While performing their duties, our employees protect all confidential information/documents they have access to. The confidential information they access is used only for the benefit of the work they conduct for the Company, within the framework of legal and ethical rules. Our employees are strictly prohibited from disclosing any publicly undisclosed information to third parties for personal gain or for the benefit of anyone outside the Company.

Even when our employees terminate their employment, they are strictly prohibited from directly or indirectly using or allowing the use of any confidential information or documents of the Company that are indicated above, either in writing or verbally, for personal gain or for the benefit of third parties, without the written permission of the Company.

We expect our employees to pay utmost attention to matters of data confidentiality and security while using any kind of IT resources and electronic communication tools. We expect our employees to comply with the Company’s policies and instructions without exception, and to take the necessary precautions to prevent access by unauthorized parties to confidential information or any leakage of confidential information.

Intellectual Property Rights

The scope of the “Intellectual Property Rights” of ŞOK Marketler includes, but is not limited to, the following:

“Intellectual rights of ŞOK Marketler such as brands, patents, databases, printed communication materials, processes, advertisements, product packages, labels and plans (marketing, production, technique), product designs, know-how and any information, including any kind of innovations written, invented, developed, produced or implemented by employees.”

Any commercial/financial rights of intellectual properties generated by our employees during their employment and execution of their duties using Company resources, such as products, designs, programs etc., are the property of the Company and no person or party may make any claims against the Company regarding this matter.

We expect our employees to be aware that any correspondence, written material, documents or records, special process information, regulations, and the Company’s private work flow information – confidential or not confidential – are the property of Yıldız Holding and its affiliated companies and must remain within the Company.

We stipulate that our employees comply with all rules and laws regarding software licenses, patents and copyrights and, in order to enable them to conduct their work, we legally supply all necessary software and copyrights. Employees may not use our account illegally.

Product and Service Quality

We act in accordance with the legislation of the countries where we conduct our activities and contribute to the establishment of legal regulations aimed at providing product quality and consumer wellbeing.

We conduct our activities in accordance with such international quality standards as ISO 90001, 14000, and 450001, and implement all our quality certificates together with our employees. We provide our customers with easily accessible high-quality products and strong brands, along with the best service.

Abuse and Irregularity

We abstain from bribery, deceptive or any other unethical conduct in the countries and business areas where we conduct activities.

In business relations where our employees are responsible, we compel our employees to act in accordance with relevant laws or regulations, to avoid deliberate partnerships with parties that violate such laws and regulations, and to abstain from any means that are deceptive, dishonest or unethical.

We prohibit our employees from using their authority for their personal gain and/or for the benefit of their relatives, and from exercising their agency beyond the due care expected of them, which could cause harm to ŞOK Marketler.

We do not permit our employees to gain any direct or indirect personal profit from any purchase and sale activities, transactions and agreements to which ŞOK Marketler is a party.

We expect our employees to immediately notify their managers and/or the Yıldız Holding Ethical Board in the case of any irregularities of such nature in any business relations.

Accuracy in Records and Financial Reporting

Accurate and Complete Bookkeeping

It is essential at ŞOK Marketler that all records are kept in accordance with the legislation. The documents of commercial and financial transactions must reflect the real situation. No payment used outside its intended purpose shall be made or approved.

Presenting Accurate Information and Financial Reports to All Necessary Parties

In all their services and transactions, ŞOK Marketler provide accurate, complete and timely information transfer to all investors, customers, suppliers and official authorities in accordance with the legislation.

Advertising and Promotion

ŞOK Marketler

do not provide deceptive or misleading advertising or make false statements in their sales and marketing activities. Our advertising does not contain any gender, religion or race discrimination or any elements of individual humiliation and violence.

Compliance Responsibility and Notification of Violations

ŞOK Marketler employees,

when they require guidance regarding the Code of Conduct, should consult the following:

- Relevant ethical conduct guide;
- Their supervisor or the human resources manager;
- The Ethics Board (etik.bildirim@yildizholding.com.tr).

Employees are required to report any action or situation they consider to be in violation of ethical rules, as follows:

- In writing, to ŞOK Marketler' CEO, or to the Ethics Board via e-mail (etik.bildirim@yildizholding.com.tr).
- Although signed notifications of ethical violations are preferred, anonymous notifications of ethical violations are also taken into consideration.
- The evaluation of violations is conducted by the Ethics Board. The opinion of the relevant support department (Legal, Auditing, HR, etc.) is solicited when necessary.
- All notifications are kept confidential. Notifications are reviewed by the Ethics Board and appropriate actions/measures are taken in accordance with the Board's decision.
- ŞOK Marketler is committed to protecting the rights of employees who submit reports to the Ethics Board. Retaliation against employees who report ethical violations is prohibited, and necessary actions are taken against persons who attempt to retaliate.
- We expect our employees to adopt attitudes in accordance with an awareness of their responsibilities and work ethics, and to act in line with the meaning and the purpose of the Code of Conduct.

We require our employees to be aware of their responsibilities and act in line with business ethics.

Sustainability Management Structure

The Sustainability Board is in charge of establishing the sustainability strategy and targets, road maps and policies, and mapping out environmental, social and corporate governance risks.

CEO

Chairman of the Committee

CFO

Commercial Director

Human Resources Group Director

Marketing Director

Sales and Operations Directors

Construction, Investment and Technical Procurement Group Manager

Project Manager

Quality Manager (Board Secretary)

The Company has formed a Sustainability Board so as to shape strategic investments to be carried out to increase the value generated in the areas of the environment, society and corporate governance. This structure took its final shape as part of the efforts, initiated by Yıldız Holding, to spearhead transformation ensuring that the Company embraces a culture of sustainability and thereby enhances its competitiveness and brand value.

The responsibilities of the Sustainability Board include setting the sustainability strategy, goals, road maps and policies; mapping out the risks related to the environment, society and corporate governance, and managing them proactively; identifying sustainability-related performance measures; informing employees on these areas; undertaking efforts to internalize relevant policies; and planning for efficient communication with stakeholders. The Committee convenes at least twice a year to plan a schedule.

In addition to the CEO and CFO, managers from the key departments, including Sales and Operations, Commercial, Human Resources, Quality, Construction, Investment and Technical Procurement, are members of the Sustainability Committee.

Sponsored by the Yıldız Holding Board of Directors, the Sustainability Initiative contributes to the Company for corporate reputation and risk management. The Initiative also ensures that the sector's global agenda, mega trends, the maiden regulatory environment (including the UN Sustainable Development Goals), and the main issues raised by all stakeholders, are managed efficiently within a strategic framework. Activities are reported to Ali Ülker, the Vice Chairman of the Board of Yıldız Holding, and the main sponsor of the Sustainability Initiative.

Sustainability Priorities

ŞOK Marketler aim to improve environmental conditions for future generations by protecting natural resources and prioritizing energy efficiency and savings.

ŞOK Marketler have defined digitization and changing responsible customer behaviors as the two most important global trends driving the retail sector.

Our Priorities	How We Manage
Digitization	Customer Focus– Product – Supply Chain Management – Employees – Environmental Impact
Food Waste or Loss	Supply Chain Management
Improving Retail Customer Experience	Customer Focus
Responsible Supply Chain Management	Supply Chain Management
Responsible Products & Fair Trade	Supply Chain Management
Product Safety and Quality	Supply Chain Management – Product Range – Customer Focus
Employee Rights, Satisfaction and Loyalty	Employees
Recycling and Packaging Waste	Environmental Impact

ŞOK Marketler has adopted the motto that “sustainability is our promise for future generations.” Developed by Yıldız Holding, this motto signifies a holistic management approach, helping to improve the Company’s performance with a focus on three main themes: product, people and the planet.

Accordingly, the Company’s corporate goals are as follows:

To make customer safety a focal point, and ensure that products are delivered to customers at the highest standards with transparency and under attractive terms, while **INSPIRING** them to adopt a healthy diet and life style (**INSPIRING – PRODUCT**),

TO GROW TOGETHER with the community, by engaging in efforts that will contribute to social and economic development for employees and society, and embracing business models that improve social equality (**GROWING TOGETHER – SOCIETY**),

TO RESTORE environmental conditions for future generations by protecting natural resources and prioritizing energy efficiency and savings (**RESTORING – PLANET**).

ŞOK Marketler believes that it is important to focus on particular strategic areas to ensure successful and integrated management. The Company has focused on determining the areas where it can create value for both its business and its stakeholders in a retail sector characterized by fierce competition – an approach that sets the Company apart from the competition and moves it strategically forward.

To this end, the Company conducted a stakeholder analysis via an on-site study based on the methods set forth in world standards; and held in-depth interviews and workshops attended by executives and specialists from different departments. Decisions made on the basis of these interviews were approved by the Board of Directors.

In this analysis, the Company took a risk- and opportunity-based perspective to evaluate the areas that can elevate its environmental, social and administrative (ESA) performance with reference to global and sector trends, as well as its Sustainable Development Goals. As a result, the Company determined

digitization and changing responsible customer behaviors as the two global trends driving the retail sector and shaped its general and priority areas of focus accordingly.

¹ In 2015, 193 United Nations member states ratified the 17 Sustainable Development Goals that aim to put an end to extreme poverty by the year 2030, as well as fighting inequality and injustice, and protecting the planet. For more details on the Goals, please visit <http://www.kureselhedefler.org/>

Stakeholder Group	Method of Communication	Frequency of Communication
Employees	Internal notification emails, academic ŞOK, meetings, ŞOKNet (intranet system), surveys, social media	Continuously
Customers	Website, CEPTE ŞOK, Communication Center, product catalogs,	Continuously
Suppliers	Audits, Chain (intranet system), B2B meetings, emails, social media	Continuously
Public Institutions	Visits	Continuously
Business Partners and Advisors	Joint projects	At least once a month
Media	Press releases, press meetings, social media	Continuously
Non-Governmental Organizations and Associations	Congresses, conferences, seminars etc., joint projects	Continuously
Universities and Research Centers	Joint projects, conferences and training sessions	Continuously
International Organizations	Events such as congresses, conferences, seminars, fairs etc.	Continuously

Product Range

ŞOK Marketler offers customers products of national, international and own brands in the categories of basic foodstuffs and non-food products.

The key strength that differentiates ŞOK Marketler stores from other discount chain stores in Turkey is its vast variety of affordable and quality products. ŞOK Marketler consistently aims to respond to customers' diverse needs with a wide range and a rich selection, bringing national and international branded products, as well as own brands, in the categories of foodstuffs and non-food products. Own brands such as the historical Mis, Piyale, Mintax, Evin and Amigo are displayed on shelves, alongside best-selling national brands. The Company is committed to ensuring that all products are always safe and of high quality.

Product – Inspire

ŞOK Marketler prioritizes the delivery of products to customers at the highest standards, with transparency and under attractive conditions. Consumer safety is a focal point, and the Company endeavors to inspire customers to adopt a healthy diet and life style.

The Company's priority is its customer focus, and its supply and product chain are holistically aligned with this approach.

Product Safety and Quality

ŞOK Marketler undertakes product safety audits in stores and warehouses, and ensures that its processes comply with international quality standards.

ŞOK Marketler is committed to offering products that protect the health of the millions of customers who shop at its stores. ŞOK does not compromise on national or international quality standards when it comes to ensuring safety from the fields to the tables, and offering customers healthy products. All suppliers are evaluated at least twice a year, and the Company continues to work only with suppliers that meet each and every standard.

A 35% increase in supplier audits

Every year, ŞOK Marketler increases the number of audits conducted among suppliers to ensure that they comply with product safety and halal food standards. The Company raised its audit rate among suppliers by 35% in 2018 compared to 2015. The control and auditing procedures reinforce suppliers' development and encourage them to maintain standards at the highest level.

The Company also conducts audits at sales points and storage facilities, in addition to those audits carried out with suppliers. To this end, product safety checks are conducted in ŞOK's stores and warehouses, thus ensuring compliance with international quality standards.

ISO 22000 Food Safety System Certification process continues

The Company planned all its business processes in accordance with the IFS Logistics and the ISO 22000 Food Safety System Certification, both of which guarantee product safety, with an aim to complete the certification process by 2019. Additionally, in 2018, the Company initiated efforts to manage its entire product security process in accordance with the ISO 9001:2015 Quality System Management standards. In 2019, the Company aims to obtain its ISO 9001:2015 Quality System Management certificate. All suppliers are required to hold either IFS and BRC International Food Safety Standards or a FSSC 22000 Food Safety System Certificate.

New call management infrastructure

The Company's audits include inspections on compliance with Ministry of Food, Agriculture and Livestock Turkish Food Codex Legislation; halal food inspections; and in other areas, depending on the type of product, such as caliber, weight, packaging, labeling, organoleptic evaluations, etc.

In addition, a "Call Management" system has been developed to report defective products with quality issues caused by the supplier, and, thus, prevent such products from reaching customers. In this way, an effective monitoring system has been implemented, preventing any situation that may pose a threat to customers' health.

The Company also developed a digital system whereby defective products reported to the call management system are returned to the supplier. Suppliers monitor their defective products on the system and perform the corrective measures required to guarantee quality.

Customer Focus

ŞOK Marketler complies with national and international quality standards in order to consistently offer healthy products to customers.

With the renewal in 2015 of its store layout, ŞOK Marketler provides customers with a comfortable and pleasant shopping environment.

- **650 million** Number of Yearly store visit
- **1,500** Product Diversity

A.L.F.A. Award

Marketing Turkey assesses brands from 25 sectors that best manage customer experience, based on complaints posted on sikayetvar.com. In 2016, ŞOK Marketler was recognized with the A.L.F.A Award in the discount market category.

ŞOK Marketler effectively and optimally meets the expectation of its customers by creating dedicated communication channels tailored to their preferences.

Developing solutions that address customers' needs, ŞOK Marketler introduced the mobile app CEPTE ŞOK (Şok in the Pocket) to offer shopping services online.

Retail Technology Award

The IDC Retail Technology Awards recognize the best digital projects from retail, e-commerce and technology companies each year. In 2017, ŞOK Marketler won in the “Best Digital Channels Project” category with its mobile app, Cep Şok.

ŞOK Marketler places its customers at the center of its products and services, because maintaining customer satisfaction at the highest possible level is essential for the Company's business success. ŞOK strives to ensure that all customers, whether they shop in a store or online, enjoy a shopping experience with a high quality and budget-friendly product range and concept.

The Company closely follows customers' rapidly changing expectations and needs and improves their shopping experience through innovative and digital solutions. Customers now have the opportunity to shop online via the mobile app, CEPTE ŞOK – a first in the Company's field of activity.

With products that are suitable for all budgets, ŞOK Marketler aims to be accessible in all regions of Turkey. In 2015, the Company carried out a complete renovation of its stores and diversified its product range. It opened 1,000 new stores in 2018: with more than 6,300 stores across 81 provinces, ŞOK Marketler is even closer to its customers. The vast majority of customers are individual customers. The number of visits to ŞOK Marketler stores increased by an average of 60% in 2017 compared to 2015, to more than 650 million.

Customer Experience

ŞOK Marketler aims to provide its customers with a shopping experience that exceeds their expectations, to be more competitive in the sector and to become a preferred choice of brand. The Company is able to achieve this goal thanks to a unique business model that differentiates it among its rivals in the five main areas, particularly including a rich portfolio of national and own brand products, as well as proximity, affordability, diversity, and easy and convenient shopping.

With a wide and constantly growing network of stores, ŞOK Marketler is as close as possible to its customers. As part of its everyday low prices strategy, ŞOK offers customers various promotions, including numerous benefits, along with affordable and high-quality products. Around 1,500 different products can be found on ŞOK stores' shelves, providing customers with a one-stop shop for all their needs. The stores' concept was renovated in 2015 to provide customers with an enjoyable and convenient shopping environment featuring products organized by category within spacious and well-illuminated aisles.

Customer Satisfaction Survey

ŞOK Marketler believes that it is impossible to improve without considering customer feedback on its products and services. Accordingly, the Company engages in activities to efficiently manage customer experience and actively follow evolving customer practices. Within this scope, the Company conducts customer satisfaction surveys. The Company carries out Mystery Shopper Surveys twice a year, through an independent research company, in all of its stores. The Surveys include four main categories: products; the store's physical condition; personnel service quality; and the produce section. A store's performance is evaluated through the eyes of its customers via unreported and mystery visits. ŞOK Marketler maintained this level in 2018, as well, achieving the category of "Very Good" by exceeding 82%, the sector average.

As well, in the 2017 Brand Health Tracking Survey, ŞOK Marketler has the second highest level of TOM (Top of Mind) among retailers. The Brand Health Tracking Survey is conducted among consumers to evaluate brand awareness. ŞOK Marketler maintained its standing in 2018.

Customer Relations Management

While carrying out shoppers research in order to create a better customer experience is important, ŞOK Marketler also keeps its communication channels open to its customers. It is among the Company's priorities to encourage customers to use these communication channels to share requests, opinions and expectations.

The Company receives and responds to customer feedback via a communication form available on the website (www.sokmarket.com.tr/iletisim/iletisim-formu), via Yıldız Holding Customer Relations Center (MİM) hotline at 0212 576 33 00, and through the email address, mim@yildizholding.com.tr. It takes necessary actions on customer complaints within three business days following the receipt of feedback given 40% on internet and 60% on telephone. The security and confidentiality of customers' information is guaranteed under the agreement between the Company and Holding MİM.

CEPTE ŞOK: Mobile Shopping App

In Turkey, as elsewhere, customer shopping habits have evolved alongside technological developments, while the volume of online shopping increases daily. Staying abreast of these developments is essential in the retail industry and, thus, ŞOK Marketler initiated digital transformation across several areas of the Company. ŞOK saves time for its customers and make their lives easier, thanks to 'CEPTE ŞOK', its online shopping app with a leading position among the Company's

digitization projects. Developed through research on customer trends, the app operates on a “Click and Collect” basis. Customers select the products they want, specify a time to collect them, and then pick up their package from the nearest ŞOK Market within the same day, without having to wait. The mobile application offers customers a convenient and rapid online shopping experience, while allowing them to save money, thanks to updates on current campaigns and discount products.

ŞOK Marketler wants to be where its customers live and work. The app was available in all stores as of 2018. We are planning to roll out the app across all our stores in the future.

Retail Technology Award

The annual IDC Retail Technology Awards recognize the best digital projects of retail, technology and e-com companies every year. In 2017, ŞOK Marketler won the “Best Digital Channels Project” with its mobile app Cep Şok.

Supply Chain Management

ŞOK Marketler develop digital transformation projects to ensure product safety, enhance efficiency and mitigate risks.

As one of fastest growing companies in the retail sector, ŞOK Marketler has expanded its store network to 6,364 stores across 81 provinces. Suppliers are major contributors to this achievement, producing the quality products that match customers' expectations, while growing together with the Company and gaining inspiration from its best practices and efforts throughout the supply chain.

Supply processes to ensure quality and affordability

Managing its supply chain in the most effective manner ensures that ŞOK Marketler can offer its customers both quality and affordability. To this end, the Company treats its supply chain as an integrated process and strives to achieve operational excellence in every stage; this process requires strategic cooperation from the manufacturer to the store. Therefore, ŞOK develops digital transformation projects that contribute to the Turkish economy by buying local products, ensuring product safety, and increasing productivity while reducing risks.

The Central Supply Unit was established

To manage its supply chain in a more productive and effective manner, the Company established the Central Supply Unit at the end of 2018. This centralized system, which replaced a warehouse-based tracking system, is designed to more efficiently oversee supply chain management, ensuring product availability and improved seasonal planning. ŞOK Marketler is developing innovative solutions enhance its performance as part of its proficient supply chain management.

Environmental Impact

Working to achieve its goal of mitigating environmental impacts, ŞOK Marketler saved 14 million kWh of energy, equivalent to the annual average electricity consumption of 1,565 households.

1.0 tons Reduced CO2 emissions

Planet – Restore

ŞOK Marketler believes that protection of natural capital, comprising natural resources and ecosystems, is vital in order to continue professional and daily life. The Company protects natural resources while conducting business and restores environmental conditions for future generations via projects aimed at energy efficiency and conservation.

ŞOK Marketler regards as its duty to protect the planet's natural capital for the daily life and business of both today and future generations. The Company is aware of the great responsibility the private sector must assume in combating climate change, one of the most urgent global environmental issues today. ŞOK Marketler strives to manage its environmental performance in the most effective way possible, by reducing its carbon footprint to create a restoring impact on the environment. The Company's primary goals include saving energy by reducing consumption and lowering carbon emissions.

The Company develops methods to utilize its resources more efficiently across its operational network to ensure continuity in its activities. The previous year saw the launch and execution of productivity projects that enabled the Company to take significant control over its environmental impact, and these efforts continue to produce results. While the number of stores grew this year by 30%, the Company oversaw a reduction in carbon emissions of 1,000 tons of CO₂, compared to the previous year. It saved 14 million kWh of energy, equivalent to the average annual electricity consumption of 1,565 households.

ŞOK Marketler develops its system by setting targets for effective environmental management. It provides necessary resources for the environmental management system, in order to ensure continuous improvement. The Company aims to reduce its environmental impact in a more systematic way by taking actions in areas such as energy management, packaging, waste management, recycling, efficient use of resources in operations, and distribution chain efficiency. To further improve environmental performance, in 2019 the Company will apply for the ISO 14001 Environmental Management System certificate.

Energy Management, Packaging and Waste Management

ŞOK Marketler uses automated control systems to save energy, generate profit, reduce the manual workload and achieve operational excellence.

Reduction in the use of plastic bags in stores is also a target for preventing environmental pollution.

Energy Management

ŞOK Marketler prioritizes energy management to reduce its carbon footprint by managing our environmental impacts and create economic value. The Company launched its efforts with a review of all store operations.

The efficiency of all electric equipment, including air conditioners, is important in terms of achieving an ideal temperature to maintain the freshness and quality of products. The Company's energy initiatives include a focus on the correct use of the 'sleep' function of certain equipment during the night; preliminary evaluations revealed that this accounts for a large part of the electricity consumed in stores. As well, taking advantage of digitization can promote energy efficiency: equipment that should be turned off at night is automatically disabled, while the operation values of air conditioners is limited, so that they run where needed. The automated control system is targeted to save energy, generate profit, reduce the manual workload and achieve operational excellence.

Packaging and Waste Management

Also significant in reducing the environmental impact of ŞOK's products and services is efficient packaging and waste management. The Company works to reduce the amount of materials used in packaging and it prefers packaging made of environmentally-friendly materials.

In addition, the Company has taken the necessary steps to reduce use of plastic bags in its stores. Pursuant to the Ministry of Environment and Urban Planning's "Packaging Waste Control Regulation," scheduled to come into force on 1 January 2019, ŞOK Marketler will charge for plastic bags. This practice, incorporated into the Company's action plans, will allow it to develop innovative solutions and contribute to preventing environmental pollution.

Human Resources Policy

ŞOK Marketler consistently contributes to employment rates in Turkey with over 27,000 employees and supports the national economy with the added value it creates.

- *4,000 Annual Employment Creation*

Society – Growing Together

With a network extending across Turkey, contributing to social and economic development activities is critical for ŞOK Marketler. The Company both empowers and grows stronger together with society, through business models directed towards improving social equality.

Every initiative that the Company undertakes to improve employee satisfaction also helps create a stronger society.

Employees

Making a difference in a highly competitive retail industry centered on customer satisfaction is deeply connected with the satisfaction of employees – the Company’s invaluable stakeholders. ŞOK Marketler strives to foster an equal, fair and healthy working environment, embracing diversity for employees’ comfort and satisfaction, and offering training opportunities that allow employees to develop professionally within the sector.

The Company reviews and improves its human resources practices to manage its ever-growing team in the most effective way, continuously contributing to national employment and supporting the local economy by creating added value.

ŞOK Marketler is one large family, with more than 27,000 employees who work in over 6,100 stores across 81 provinces. This family is expanding, with 4,000 new employees every year.

The Company attaches importance to women’s empowerment in business and supports those women who return to work after a break; ŞOK guarantees convenient working conditions for women to return to work after maternal leave and, as a result, of those employees who took maternity leave during the last three years, up to 99% have returned.

Employees by Category



4% *White Collar*
96% *Blue Collar*

Employees by Gender



60% *Male*
40% *Female*

The Performance Management System is intended to improve employees' motivation and competencies.

Performance Review System

Goal Setting
Mid-Term Assessment
Assessment

Leadership Skills

Foreseeing the Future
Innovation
Strengthening the Team
Matrix Leadership
Encouraging High Performance
Focusing on the Result
Adding Value
Drawing On Success

Employee Development

Retail companies need to adapt quickly to rapid changes in shopping habits triggered by technological developments, customers' changing expectations and demands, and fierce competition in the sector. Therefore, the Company believes that adaptation to sector developments, progress towards strategic targets and the advancement of exemplary practices is only possible through its employees' dedication and development.

The Company offers employees training, development and career planning opportunities based on the principles of equal opportunity and fair management. Employee assessments take into account each employee's performance and experience, as well as additional competencies they have acquired.

Performance and Career Management

Only an effective performance management process can enable employees to assess their performance and determine future goals and areas of improvement: the Company applies a Performance Management System designed to nurture employee motivation and skill development, and to improve their sense of community.

Determined by Yıldız Holding as an umbrella system, the Company implements the Performance Management System for all head office employees. Accordingly, employees' business results are evaluated in terms of targets and competencies.

The performance system consists of three main periods repeated annually: goal setting, mid-term assessment and assessment period. The assessments include evaluations of employees' self-determined targets, as well as the responsibilities of their particular position.

Following an employee's self-assessment at the end of the year, they are also assessed by their first and second managers, completing the process. The performance of all employees is measured against a Company achievement coefficient.

Compensation managed by a hierarchical structure

The Company's compensation system is managed by a common hierarchical structure, based on the content of the job. ŞOK Marketler pays an equal and competitive wage consistent with the market, according to annual market wage research reports, upon assessing employees' performance through this system. As well, the Company provides employees with benefits that vary in content based on their position.

Employees in managerial and other senior positions at the Head Office are awarded an annual performance bonus based on Performance Management System assessment results. The Company offers sales bonuses to sales teams as an incentive; in addition, the recently launched "Instant Reward" system extends immediate rewards to recognize employees who have made a significant contribution to the Company. Using the "Instant Reward" system, managers can nominate employees and, if the recommendation is appropriate, the employee is rewarded.

ŞOK Marketler strives to be a preferred employer and invests in its employees professional and personal development and well-being. The Company offers employees opportunities to maximize their potential within the organization, including long-term career planning; such planning is addressed holistically, through performance management and training.

Human Resources Career Planning for employees

“Human Resources Career Planning” is conducted annually for the Head Office and branch offices. During this process, the Department analyzes employees’ strengths and areas for improvement and creates a career ‘road-map’; this data is recorded and referenced during the following assessment periods. Development tools, including coaching, mentoring, class training, rotation and project ownership, are used in line with Human Resources processes, in this case, the 70-20-10 model.

In the Company’s stores, “In-Store Human Resources Planning” is conducted four times a year. After each session, store managers identified as ‘promotable’ are assessed in a separate process. Using case studies, individual presentations and Q&A sessions, The Company can identify candidates for promotion or provide them with self-development plans. Thanks to this practice, ŞOK Marketler’ internal promotion rate for store managers reached almost 80% in 2017.

Leadership Development Program

In 2017, ŞOK Marketler launched the “Tactics Here” leadership development program for field executives, including regional executives, regional managers and branch managers. During this program, regional executives received four days, regional managers three days, and branch managers six days of classroom training. The program was extended to include training content for the development of eight leadership skills in the qualifications required for field executives. In addition, we offered branch managers a one-day coaching training session.

Need-Based Training Sessions

The Company offers tailored training opportunities to employees, to enhance their professional and personal skills and support their career development.

Employees in the Head Office can also participate in training sessions across a wide range of fields. These courses cover topics such as leadership, communication, presentation techniques, time management and problem solving, all of which contribute to social skills development. Employees in managerial and other senior positions can participate in the leadership courses available in the same catalog.

Academy ŞOK

Launched as a pilot practice in 2017, Academy ŞOK is another digitization project featuring an e-learning and development platform., Academy ŞOK helps to support the development process of the Company’s entire staff – in the Head Office and in stores – while establishing the foundation for a company culture based on the principle of “learning from each other.”

Offering clear, streamlined content, Academy ŞOK is a highly accessible and user-friendly platform operating without limitations on time and location. Employees have a wide selection of courses, including store processes and basic managerial skills, on this online platform, which can be accessed via desktop, tablet and all smart mobile devices.

Academy ŞOK aims to promote a strong company culture and update employees in the most rapid and appropriate manner, making our operational processes more effective. Following a successful pilot stage, the platform was made available to all employees.

Occupational Health and Safety Practices

ŞOK Marketler provide periodic OHS courses to employees, in addition to identifying occupational health and safety risks at headquarters and stores, and taking the relevant measures.

Providing a safe and peaceful work environment is among the most important prerequisites to ensuring employee satisfaction. The Company applies sector-specific rules for occupational health and safety in accordance with applicable laws and regulations. As the most senior executive in charge of occupational health and safety, the Group Director of Human Resources reports directly to the CEO.

OHSAS 18001 Occupational Health and Safety Management System certification process...

ŞOK Marketler identifies occupational health and safety risks at the Head Office and in stores, and takes necessary measures, and regularly offer OHS trainings to employees. By the end of 2019, the Company plans to complete the procedures for obtaining the OHSAS 18001 Occupational Health and Safety Management System certificate, in order to execute OHS practices at international standards.

Amendments to the Articles of Association

The Company's Articles of Association, published on the date when the Company was offered to the public for trading on May 18, 2018 on Borsa Istanbul, is disclosed to the public on the Public Disclosure Platform (<https://www.kap.org.tr/tr/Bildirim/681315>).

The Amendment of Article 6 "Capital" in our Articles of Association is approved by the Capital Markets Board's letter dated 23.05.2018, the registration of which was completed before Istanbul Chamber of Commerce Trade Registry Office on 26.05.2018. The former and updated versions of the aforementioned article is as follows:

Former Version of the Article

CAPITAL

Article 6– The Company adopted the registered capital system in accordance with the Capital Market Law no. 6362 and started to use this system with the Capital Markets Board authorization dated 22.02.2018 with no. 2064.

The upper limit of the registered capital of the Company is 1,800,000,000 TL and divided into 1,800,000,000 shares, with a nominal value of 1 TL each. The authorization for the upper limit of the registered capital granted by the Capital Markets Board is valid for five years between 2018 and 2022. Even if the upper limit of the registered capital is not reached by the end of 2022, for the Board of Directors to decide for a capital increase after 2022, an authorization shall be obtained from the General Assembly for a renewed period through authorization from the Capital Markets Board regarding the previous upper limit of the authorized registered capital or a new upper limit. If the said authorization cannot be obtained, capital increase may not take place with the resolution of the Board of Directors.

The issued capital of the Company is TL 360,000,000, divided into two groups and 360,000,000 shares in total in registered form, of which 144,000,000 are Preferred Shares and 216,000,000 Ordinary Shares, with a nominal value of TL 1 each and the issued capital is wholly paid free from collusion.

Shares representing capital are kept in book-entry records, as per the principles of dematerialization.

Where it is deemed necessary, the Board of Directors is authorized to decide on increasing the issued capital by issuing new shares up to the upper limit of registered capital; take decisions regarding the restriction of the share purchase rights of privileged and other shareholders, as per the provisions of capital market regulations; and take decisions regarding the issue of privileged shares or shares over or under the nominal value in accordance with the provisions of capital market regulations and other relevant regulations, between the years 2018 and 2022 (by the end of 2022). The authorization to restrict share purchase rights may not be used in a way to cause inequality between the shareholders.

Updated Version of the Article

CAPITAL

Article 6 – The Company accepted the authorized capital system in accordance with the Capital Markets Law numbered 6362 and included to authorized capital system with the Capital Markets Board permission dated 22.02.2018 and numbered 2064. The upper limit of the authorized share capital of the Company is TL 1,800,000,000 and divided into 1,800,000,000 shares, with a nominal value of TL 1 each.

The permission for the upper limit of the authorized capital granted by the Capital Markets Board is valid for five years between 2018 and 2022. Even if the upper limit of the registered capital is not be reached by the end of 2022, in order that the Board of Directors decide on capital increase after 2022, an authorization shall be obtained from the General Assembly for the new time limit by way of obtaining permission from Capital Markets Board regarding the previous upper limit of the authorized share capital or a novel upper limit of the authorized share capital.

The issued capital of the Company is TL 611,928,571 and divided into two groups and 611,928,571 shares in total in registered form, which are 144,000,000 of them Preferred Shares and 467,928,571 of them Ordinary Shares, with a nominal value of TL 1 each and the issued capital is paid free from collusion.

The shares representing the issued share capital are monitored in accordance with principals of the dematerialization of the shares.

The Board of Directors is authorized to decide on increasing the issued capital by issuing new shares up to upper limit of authorized capital if it is necessary, to take decision regarding the restriction of right of share purchase of privileged and other shareholders and within the scope of provisions of capital markets regulations to take decision regarding issuance of privileged shares or shares over the nominal value or shares under the nominal value in accordance with the capital market legislation and relevant legislation between the years 2018 and 2022 (by the end of 2022). The authority to restrict the right of share purchase shall not be exercised in a way leading to inequality between the shareholders.

Dividend Policy

The dividend policy is determined by considering the mid- and long-term strategies, investment and financial plans of ŞOK Marketler. The Company intends to distribute at least 30% of the Company's distributable net profit for the period as cash dividends, for each accounting year starting from the earnings in the year 2018, upon the recommendation of the Board and subject to the approval of General Assembly, any relevant amendments that might be undertaken, and the applicable law in Turkey, provided that the Company's cash flow requirements are considered.

The dividend policy will be subject to the Company's cash projections, future expectations on operations, investment plans and conditions in the capital markets. Additionally, this policy shall be reviewed annually by the Board of Directors in the event of any negative situations regarding national and global economic conditions, and according to the current projects and Company's financial resources. If an amendment to the Dividend Policy is requested, the Board of Directors decision for such change, along with the justification thereof, is announced to the public in line with the CMB regulations regarding the disclosure of material events.

Equal payment of dividends are aimed to be completed within a maximum of 30 days, following approval by the General Assembly of the dividend decision, regardless of all of the existing dividends, the issue, and acquisition date thereof, while the distribution date is determined by the General Assembly. Dividends may be distributed as lump sums or in installments.

Unless reserves required to be reserved by law, and dividends for shareholders as determined in the Articles of Association, are reserved, further reserves may not be reserved; dividends may not be transferred to the following year and may not be distributed, from profits, to the Members of the Board and partnership employees; and no profit distribution may be made to such persons unless the determined amount of dividends is paid.

The General Assembly may transfer the net profit, either partially or wholly, to the reserves, provided that the reserves required by law and dividends for shareholders as determined in the Articles of Association, are reserved. If the Board of Directors proposes to the General Assembly that dividends not be distributed, shareholders are informed of the basis for this proposal, as well as of use of non-distributed dividends, in the Ordinary General Assembly Meeting.

The Company's Articles of Association include a provision on the advance dividend distribution while it is possible to distribute advance dividends, provided the procedures and rules stipulated in the principles and procedures set forth in the provisions of applicable regulations are observed.

Remuneration Policy

Remuneration to be paid to the Members of the Board of Directors is determined monthly in gross value based on the opinion of the relevant committee, and submitted for the approval of the General Assembly. It is essential that the compensation of Independent Members of Board of Directors is at a level that enables them to maintain their independence. Dividends, share options or performance-based payment plans of the Company shall not be used for the remuneration of Independent Board Members. Remuneration of senior management consists of two components, namely, base (fixed) payment and performance-based payments.

As per fixed payment, a system with a total of 16 (sixteen) base payments (annually) is available, and side benefits may be offered in addition thereto. Fixed payments are determined according to the macroeconomic data, developments in the market related to wages, long-term goals of the Company, and the seniority and positions of individuals. In addition to fixed payments, senior executives can be remunerated in the form of side benefits, based on the flexible wage (success fee) payment, by applying certain multipliers on annual gross wages once in a year, according to the Company and personal performance results. The purpose of flexible remuneration management in the Company is to encourage employees to deliver an outstanding performance by rewarding achievements, to instill a culture of goal-driven performance across the Company, and to help senior executives realize budget targets and deliver business results that exceed their targets.

Related Party Transaction Policy

The Company and the Board of Directors aim to perform all related party transactions in accordance with the Turkish Capital Market Legislation, Tax Legislation and other relevant legislation. The Board of Directors is responsible for the implementation of this Policy, as well as the complete enforcement and monitoring of all guidelines and procedures prepared as part of it. Non-continuous related party transactions exceeding 1.0% of the gross profit of the preceding year's income statement are subject to approval by the Board of Directors. Performance of non-continuous related party transactions requires the approval of the majority of the Independent Board members. If two Independent Board Members are present in the Board of Directors, the approval thereof must be obtained in order to perform the relevant non-continuous related party transaction. If the approval of a majority of Independent Board Members cannot be obtained, the General Assembly must approve the non-continuous related party transaction.

There is no materiality threshold for continuous related party transactions and the Board of Directors adopts a framework resolution for all continuous related party transactions.

At its quarterly meeting following the announcement of the relevant quarterly financial results, the Audit Committee shall review the related party transactions conducted in the relevant quarter under annual authorization (in light of the framework Board resolution) of the relevant continuous related party transactions.

The Board of Directors' resolutions pertaining to related party transactions are treated as "insider information" and disclosed in accordance with the applicable requirements of capital market regulations.

Additionally, following the annual review of related party transactions, the Audit Committee shall submit a report to the Board of Directors that is subsequently incorporated into the Company's Annual Report.

Disclosure Policy

I- Purpose and Scope

Pursuant to this Disclosure Policy, ŞOK Marketler Ticaret A.Ş. (“Company”) informs the public in a complete and timely manner, in accordance with the provisions of the Capital Markets Legislation, Corporate Governance Guidelines and provisions in the Company’s Articles of Association.

The purpose of the Company’s Disclosure Policy is to ensure active and transparent communication with all stakeholders, including shareholders, investors, employees and customers, in a complete, fair, accurate, timely, clear, affordable and equally-accessible manner, per the regulations to which the Disclosure Policy is subject.

However, pursuant to such regulations, the Company may refrain from disclosing to the public certain confidential information, which is treated as a business secret, per the principles stipulated in the regulations, where such disclosure may harm its legitimate interests.

The Disclosure Policy applies to all employees of the Company.

II- Authority and Responsibility

The Company’s Disclosure Policy is set and implemented under the mandate of the Board of Directors. The Board of Directors reserves the right to amend this policy from time to time, as required by relevant regulations. The Disclosure Policy and amendments thereto are published on the Company’s website, following approval by the Board of Directors.

The responsibility to implement, develop and follow the Disclosure Policy rests with the Board of Directors.

The responsibility to observe and monitor each and every matter related to public disclosure rests with the executives who are in charge of financial management and reporting, as well as with the Investor Relations Department. The relevant authorized persons fulfill such responsibilities in close cooperation with the Corporate Governance Committee, Audit Committee and the Board of Directors.

III- Methods and Means of Disclosure

The methods and means of disclosure used by the Company under this Disclosure Policy are explained below:

- Material event disclosures,
- Financial statements, independent audit reports and declarations announced periodically, as well as annual and interim reports,
- Notices and announcements made via the Company’s website (www.sokmarket.com.tr) and the Trade Registry Gazette; communication methods taking place via communication instruments such as phone, e-mail, and facsimile; disclosures made via print and visual media; disclosures

made to data distribution organizations such as Reuters, Forex, Bloomberg; and face-to-face or teleconference briefing sessions with investors and analysts.

IV- Principles Regarding the Presentations and Reports Disclosed in Briefing Sessions or Press Meetings

Inquiries submitted to the Company by shareholders, investors and analysts are responded to by the Investor Relations Department via printed or verbal means or through briefing sessions, accurately and completely, with consideration of the principle of equality, in line with the information disclosed to the public.

Media organs, press meetings and/or press releases or other means of communication may be used for disclosure of matters subject to material events, including considerations for the future. Disclosures may be published on KAP (Public Disclosure Platform), either prior to or at the time of announcement, as well as on the Company's website.

Company officials may attend national and international conferences or meetings from time to time, in order to share information with investors and analysts. The presentations used in this regard may also be published on the Company's website.

V- Principles Regarding Follow-up of News Items and Stories Regarding the Company in the Media or on Websites, and Related Disclosures

The Company follows national and international news reports and stories featured in the media or other communication channels, both internally and via the contracted domestic data distribution channels and, in the event of news items or stories not covering the same content as information that is either disclosed for the first time or has already been disclosed to the public, the Company evaluates their impact on the value and price of its shares or on investors' investment decisions in accordance with internal regulations and, where it deems necessary, it immediately makes an announcement to the public, per the principles stipulated in the Capital Markets Regulations, on whether these are valid or sufficient, despite the presence of a postponement decision.

If it deems necessary, the Company may choose to make an announcement on the reports and stories that are featured on media organs but do not constitute any requirement for material event disclosure. Such disclosures may be in the form of either print or verbal communication or may be published on the Company's website (www.sokmarket.com.tr).

The Company is not required to make an announcement to the public on the sufficiency and validity of interpretations, analyses, assessments and forecasts based on publicly-available information, via the media and other means of communication.

VI- Measures Taken to Ensure Confidentiality of Material Events Prior to Public Disclosure

The period from the date following the accounting period during which financial tables and reports drafted by the Company and independent audit reports are prepared, to the day on which they are disclosed pursuant to regulations, is called the "quiet period." Throughout the quiet period, Company officials may not deliver any remarks on the Company's activities, financial performance or outlook

— except the information disclosed to the public on behalf of ŞOK Marketler — and may not respond to any of the questions posed by capital market participants such as analysts or investors; however, this period does not prevent Company officials from taking part in conferences, panels and/or seminars.

The Company's executives and their spouses, children or individuals dwelling in the same house with them may not perform any transactions regarding the Company's shares or capital market instruments based thereon, during the period from the date following the end of the accounting period during which the semi-annual and annual financial statements and reports are drafted by the Company and audit reports are prepared, to the day on which they are disclosed pursuant to regulations. Such restrictions also apply to directors of the Company's subsidiaries and controlling shareholders, as well as persons who have access to insider or continuous information for having shares therein.

The Company may choose to postpone public disclosure of insider information to avoid any harm to its legitimate interests, provided that such an action will not mislead investors and will ensure confidentiality of such information. In such cases, the Company takes any measures to ensure confidentiality of insider information, pursuant to Capital Market Regulations.

The Company informs directors and employees on the obligations specified in the law and relevant regulations regarding insider information, as well as on sanctions imposed in the event of misuse or dissemination of such information, via on-the-job trainings. Additionally, these matters are also covered in guidelines regarding the Internal Code of Conduct. The Company obtains a commitment for keeping internal information confidential, to prevent access to such information, by employees excluded from the list of persons accessing such information and third parties providing services, and takes necessary measures through similar methods.

Persons who have access to insider information are informed regarding the sanctions imposed in the event of the misuse or dissemination of such information, in a manner that ensures such persons agree to the obligations stipulated in the law and relevant regulations regarding insider information.

VII- Principles for Determining Persons with Administrative Responsibility

"Persons with Administrative Responsibility," as per the Capital Market Regulations, are defined as persons who have direct or indirect regular access to the Company's insider information, and who are authorized to take administrative decisions that affect the Company's future development and commercial goals, although they are not Board Members.

VIII- Principles for the Disclosure of Future Considerations

Considerations involving future plans and forecasts that are in the nature of insider information, or providing investors with insights on the issuer's future activities, financial standing and performance, may be disclosed to the public upon a resolution of the Board of Directors, as per the principles specified in the Capital Market Regulations.

Future considerations are based on reasonable assumptions and forecasts, and if there is a material difference between the matters previously disclosed to the public and actual matters, in the event of

any deviations caused by unexpected risks and developments, announcements may be made to the public, including a statement on the reasons for such difference. Attention should be paid to the exclusion of matters on the Company's activities and strategy that are yet to be agreed upon by the Board of Directors, in disclosures of expectations by directors authorized to disclose information to public.

In addition to material events disclosures, future considerations may be shared by using media organs, press meetings and/or press releases, national and international conferences or meetings or other means of communication, by persons to be authorized upon the Board's decision, pursuant to the principles specified in the Capital Market Regulations.

All questions on the principles and procedures governing the implementation of this Policy should be submitted to the Investor Relations Department.

Donation Policy

Donations may be performed and assistance delivered to universities, educational institutions, foundations, associations established for public benefit or other similar persons or institutions, provided the shareholders of ŞOK Marketler Ticaret A.Ş., are informed thereof during the Ordinary General Assembly, subject to the principles determined by the Law, CMB Communiqué on Dividends (II-19.1) and the Turkish Commercial Code, as well as other principles specified in the relevant Capital Market Regulations.

All donations are to be made in line with the Company's vision, mission, policies, its ethical principles and values, and annual budget appropriations. Donations and assistance may be in kind and in cash. Donations which were made within the relevant financial year are added to the Company's distributable profit assessment. The upper limit of donations was determined as 0.2% (two per thousand) of the net sales amount disclosed in the latest annual financial statements. The General Assembly is authorized to change this limit. Under a separate agenda item, shareholders are informed at the General Assembly of the amount of donations made in relevant period and their beneficiaries.

Risk Management

Risk Management is a systematic process which is utilized in devising strategies, implemented across the Company and impacted by the Company's Board of Directors, senior management as well as all of its employees, for the purposes of determining potential incidents that may affect ŞOK Marketler, managing risks in line with the Company's risk taking profile, and providing an acceptable level of assurance for the Company to achieve its goals.

In the past, risks were managed by individual departments; however, in line with the changes in the overall risk management concept, risks are now tackled as a whole and assessed on an institutional basis. At companies which adopt the principles of Corporate Risk Management, a risk committee ensures effective risk management as imposed by the Board of Directors, and thus risks can be properly measured.

Capital Risk Management

The Company manages its capital to ensure the continuity of its operations while maximizing its profits through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the loans disclosed in Note 6, other payables to non-related parties disclosed in Note 8, other receivables from related parties and other payables to related parties disclosed in Note 26, cash and cash equivalents disclosed in Note 5 and equity composed of capital and reserves as disclosed in Note 19 of the audit report which includes the financial statements and footnotes.

The senior management reviews capital based on the leverage ratio to be consistent with other companies in the industry.

Credit risk management

Credit risk refers to the risk that a counterparty of a financial instrument will default on its contractual obligations resulting in a financial loss to the Company.

The majority of the receivables due from sales consist of credit card slip receivables. Since the customers are final consumers, the Company has no credit risk for credit card slip receivables. The risk

arising from the advances and deposits given in order to make investments by the Company is kept under control by obtaining letters of guarantee from various banks. Based on internal procedures, the Company does not pay any advance or deposit without obtaining a letter of guarantee from banks.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring projected and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Market risk management

Although to a very limited extent, the Company's field of activity is subject to financial risks arising from changes in foreign currency exchange rates. Market risk exposures of the Group are measured using sensitivity analysis. In the current period, there has been no significant change to the Company's exposure to market risks or the manner in which it manages and measures the risks with respect to the previous period.

Foreign currency risk management

Transactions denominated in foreign currency expose the Company to foreign currency risk. The Company does not use any derivative instrument to preserve its foreign currency risk as a result of Company operations and cash flows under financial agreements.

The Company is not subject to interest rate risk, as the Group does not have any floating rate liability. The Company has no investment or liability that may expose it to share and/or bond price fluctuations.

Remarks on Post Balance Sheet Events

None.

Statement of Responsibility

STATEMENT OF RESPONSIBILITY SUBMITTED AS PER ARTICLE 9 OF COMMUNIQUE NO. II-14.1. ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS BY CAPITAL MARKETS BOARD

We hereby inform you that the consolidated financial statements together with the notes and the annual activity report of the Board of Directors for the period between January 1, 2018 and December 31, 2018, prepared in accordance with the Capital Markets Board II.14.1. "Communiqué on Principles of Financial Reporting in Capital Markets" and II-17.1 "Communiqué On Corporate Governance approved by the Board of Directors by its resolution dated March 6, 2019, in addition to, the "Corporate Governance Compliance Report" and the "Corporate Governance Information Form" prepared in accordance with the Capital Markets Board decision dated January 10, 2019 and numbered 2/49:

a) Have been reviewed by us;

b) Based on the information available to us as a result of our duty at the Company, do not contain any incorrect disclosure on material issues or any insufficiencies that may be misleading as of the date the disclosure is made;

c) Based on the information available to us as a result of our duty at the Company, the financial statements prepared in accordance with the applicable financial reporting standards and based on the principle of consolidation, reflect fairly on the Company's assets, liabilities, financial standing and profit/loss for the relevant period, and the activity report, again based on the principle of consolidation, reflect fairly on the development of the business, performance and the important risks and uncertainties faced by the Company, and we hereby declare our responsibility for this statement.

Respectfully yours,

Yours sincerely,

Ziya KAYACAN

CFO

Ahmet BAL

Independent Board Member

Chairman of Audit Committee

CORPORATE GOVERNANCE COMPLIANCE REPORT

ŞOK MARKETLER TİCARET A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION 1 - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Company has provided in detail below the assessment and findings on the level of compliance with the Corporate Governance Principles and comments on the potential improvement areas related to compliance in terms of scope and quality:

Pursuant to Article 17 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on January 3, 2014, issuance of a “Corporate Governance Principles Compliance Report” and compliance with specified Corporate Governance Principles have become mandatory for companies traded on Borsa Istanbul (BIST).

Accordingly, the Company has resolved that the requirements imposed by the CMB be strictly followed, and necessary efforts are undertaken to guarantee compliance with other principles described in those Communiqués.

Accordingly;

- The “Investor Relations Department” was established;
- The Board of Directors was formed upon the determination and public announcement of the Independent Board Members in the number set forth in the Corporate Governance Communiqué, and upon the dissemination of their résumés;
- Corporate Governance Committee, Audit Committee, and Early Detection of Risk Committees were formed in a way to directly report to the Board of Directors;
- Committee working principles were published on the Public Disclosure Platform and website;
- Committee chairmen were elected from among the Independent Members of the Board;
- Information documents, meeting agenda, annual report, résumés of the nominees for Board Membership, and other matters to be announced were submitted to investors and shareholders three weeks prior to the General Assembly;
- The Investor Relations Manager was included in the Corporate Governance Committee to ensure compliance of committee members with the Corporate Governance Communiqué;
- Necessary arrangements were made regarding insider trading;
- Female member was elected to the Board;
- The website was modified in the manner stipulated by those principles.
- Although full compliance with non-mandatory Corporate Governance Principles is a target, it has not yet been achieved due to difficulties regarding implementation of some principles and some principles failing to align with the existing structure of the market and the Company. The principles that have not been implemented yet have not resulted in a conflict of interest among stakeholders up to day. However, they are being worked on and the plan is to adopt them upon the completion of the administrative, legal and technical infrastructure works that would contribute to the Company’s effective management.
- The explanations within the scope of compliance with Corporate Governance Principles accompanying the Corporate Governance Communiqué in the accounting period that ended on

31 December 2018 are presented in the annual report, Corporate Governance Compliance Report (“CRF”) and Corporate Governance Information Form (CGIF) on Public Disclosure Platform, as well as other relevant sections of the annual report. Related reports can be accessed at <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/3913-sok-marketler-ticaret-a-s>.

- Further works will be carried out in the future to more effectively operate the mechanisms of corporate governance practices of the Company and to improve our corporate governance practices, including those voluntary principles not yet been implemented.

Grounds for the Corporate Governance Principles Not Yet Implemented

- No model or mechanism was created for the Stakeholders to participate in the management. However, the independent members of the Board ensure that the Company and shareholders as well as all stakeholders are represented in the management. The Company takes the advices and opinions of the employees, suppliers, various non-governmental organizations and all other stakeholders into consideration.
- Currently, there is not a written compensation policy in place for our employees that must be formulated as per the Article 3.1.2 of the “Corporate Governance Principles” and studies in this matter are still being carried out.
- Due to the number of members in the Board of Directors, a member of the Board assumes duties in a number of committees.
- As per Article 4.6.5 of the “Corporate Governance Principles,” the remuneration of the members of the Board and executive senior managers as well as all other benefits granted are publicly announced via Annual Report. However, the announcement is not made on personal basis.
- There are no provisions in the Articles of Association, giving the shareholders any personal right to demand a private audit from the general assembly. The regulations of the Turkish Code of Commerce and the Capital Markets Board are deemed sufficient to appoint a private auditor. Every shareholder’s right to demand a private audit is recognized within the framework of the regulations of the Turkish Code of Commerce no. 6102 that entered into force on 01.07.2012.

The résumés of Independent Members in the Number Specified in the Corporate Governance Communiqué

The established committees of the Board of Directors actively carry out their tasks. Committee working principles are published on the website. Committee chairmen are elected from among the Independent Members of the Board of Directors. Three weeks prior to the General Assembly, meeting agenda, annual report and other matters that must be disclosed were submitted to the investors and shareholders. The Company website and annual report were reviewed and action taken to make necessary updates. Independence of the independent members of the Board of Directors was examined and new candidates were presented by the Nomination Committee to the Board of Directors. Résumés of the Members of the Board of Directors are also available in the Annual Report, in the Section “Board of Directors.”

SECTION 2 - SHAREHOLDERS

2.1. Investor Relations Department

Investor Relations Department is managed by the Investor Relations Manager functioning under Mr. Ziya Kayacan, the CFO of the company.

Information regarding the executives responsible for Investor Relations is presented below. The Department processes any and all written, verbal or online inquiries submitted by current and potential stakeholders. It also attends all local and international investor conferences regularly and holds meetings with domestic and foreign institutional investors.

The Investor Relations Department is in charge of disclosures required by the BIST, The Capital Markets Board, and Central Registry Agency, to shareholders and stakeholders, and of other communications with these agencies. In addition to organizing the ordinary and extraordinary general assembly meetings, the Investor Relations Unit may organize other ad-hoc meetings held at the request of shareholders.

The Investors Relations Department attended 4 conferences and one roadshow and held over 350 meetings with existing and potential shareholders in 2018.

Contact information for Investor Relations Department is as follows:

Ziya KAYACAN (CFO),

Phone: 0850 – 221 6755

E-mail address: yatirimciiliskileri@sokmarket.com.tr

Çağrı DEMİREL (Investor Relations Manager and Corporate Governance Committee Member)

Phone: 0850 – 221 6755

E-mail address: yatirimciiliskileri@sokmarket.com.tr

2.2. Shareholders' Right to Information

Except for information considered either commercial secret or insider information, all written or verbal requests from our shareholders for information within the period were responded to. Our shareholders are provided with all the information as required under their rights as shareholders via quarterly reports and annual reports, material event disclosures, and replies to individual inquiries. Necessary information is also made available in electronic format for shareholders on www.sokmarket.com.tr and www.sokmarketyatirimciiliskileri.com.

Article 15 in the Articles of Association presents information regarding principles and procedures of Company audits, and no request has been forwarded to appoint a private auditor.

2.3. General Assembly Meetings

Pursuant to Article 1527 of the Turkish Commercial Code no. 6102 dated January 13, 2011, which stipulates that online participation in general assembly meetings, making proposals and statements online, and online voting shall have the same legal effects in all aspects as participating and voting in any general assembly meeting in person; and that all companies traded on the stock exchange are required to set up and maintain a system allowing online participation in general assembly meetings and voting; the online General Assembly convenes on the same date and with a parallel agenda as the physical general assembly. With the attendance of our shareholders representing approximately 85% of the paid in capital amounting to 611,928,571 TL, the 2017 Ordinary General Assembly Meeting was held on the July 18, 2018, at Kısıklı Mahallesi Hanımseti Sokak No:35 B/1 Üsküdar/İSTANBUL. Holders of 11 shares, corresponding to the 11 TL portion of the capital, attended in person, and shares in the amount of 520,153,542 TL were represented by proxy. No press members attended the meeting. The invitation for the General Assembly, which stated the date and agenda of the meeting, was published on the Company's official website www.sokmarket.com.tr and on the Public Disclosure Platform as specified by law and the Articles of Association within the prescribed time limit. The financial statements and reports, including the annual report, profit distribution proposal, résumés of nominees for election as members to the Board, draft amendment to the Articles of Association and other documents forming basis for agenda items were available for review by our shareholders at the headquarters and branches of the Company starting from the date of the invitation for the General Assembly. Prior to the General Assembly meeting, agenda items, a sample proxy form, résumés of nominees for election as members to the Board, draft amendment to the Articles of Association, balance sheet, profit-loss statements, independent auditor's report and footnotes, auditor's report, Board of Directors' resolution on profit distribution, report on the transactions of the related parties and the resolution on the selection of an independent audit company were made available and published on www.sokmarketyatirimciiliskileri.com prior to the meeting date.

Items on the agenda were expressed in an unbiased and detailed manner at the General Assembly clearly and intelligibly; shareholders were provided with equal opportunity to express their opinions, and raise any questions to create a healthy atmosphere for discussion.

The amount of contributions and donations made during the fiscal period was discussed at the General Assembly meeting as a separate agenda item and shareholders were informed about the same.

Shareholders did not make requests regarding the items of the agenda.

Decisions taken at the Ordinary General Assembly Meeting held in 2018 were disclosed via Public Disclosure Platform on July 18, 2018.

2.4. Voting and Minority Rights

According to the Articles of Association, each share carries the right to one vote.

The shareholders who have the right to attend the General Assembly meetings of the Company may also attend them by electronic means, pursuant to Article 1527 of the Turkish Commercial Code. The Company may install an electronic general assembly system allowing the shareholders to participate in general assembly meetings, express opinions, share suggestions and vote as per the terms of the Regulation on the General Assembly Meetings to be held on Electronic Environment in Joint Stock

Companies or may purchase services from the systems designed for this purpose. In all general assembly meetings it shall be ensured that the beneficiaries and their representatives are able to exercise their rights specified in the provision of the aforementioned Regulation, through the system installed described under this provision of the Articles of Association.

The Articles of Association do not contain any provision prohibiting voting by proxy of those, who is not a shareholder of the Company. There is no company in which the Company holds reciprocal shares.

There is no privilege to share groups or other shares in the Company's capital. The Company does not implement a cumulative voting method.

2.5. Dividend Rights

The Articles of Association do not grant a privilege regarding participation in the Company's profit. The "Dividend Policy" of the Company is made publicly available via annual reports and on the website. The aforementioned policy is provided below:

"Dividend Distribution Policy is determined by taking note of the mid- and long-term strategies, investment and financial plans of the Company. The Company intends to distribute at least 30% of the Company's distributable net profit for the period as dividend in cash, for each accounting year, by starting from the earnings in the year 2018, upon Board's proposal and subject to the approval of General Assembly, amendments that might be undertaken, and the applicable laws in Turkey, provided that the Company's cash flow requirements are taken note of.

The dividend distribution policy will be subject to the Company's cash projections, future expectations on operations, investment plans and conditions in the capital market. Additionally, this policy shall be reviewed annually by the Board of Directors in the event of any negative situations regarding national and global economic conditions, and according to the current projects and Company's financial resources. Where a change is requested in the Profit Distribution Policy, the Board Resolution regarding such change and the justification for such change are disclosed to the public, according to the regulations of the CMB on material event disclosures.

Equal payment of dividends is aimed to be completed within 30 days maximum, following the General Assembly approval of the dividend decision, regardless of the entirety of existing shares, the issue, and acquisition date thereof, while the distribution date is decided by the General Assembly. Profit may be distributed in a lump sum or in installments.

Unless reserves required to be set aside by law and dividends for shareholders as determined in the Articles of Association are reserved, further reserves may not be set aside; dividends may not be transferred to the following year and may not be distributed, from profits, to the Members of the Board and partnership employees, while no profit distribution may be made to such persons unless the determined amount of dividends is paid.

The General Assembly may transfer the net profit, either partially or wholly, to reserves provided that the reserves required by law and dividends for shareholders as determined in the Articles of Association, are reserved. If the Board of Directors proposes to the General Assembly that dividends be not distributed, shareholders are informed of the reasons for such situation, as well as of use of non-distributed dividends, in the Ordinary General Assembly Meeting.

The Company's Articles of Association include a provision on the advance dividend distribution, while it is possible to distribute advance dividend provided the procedures and rules stipulated in principles and procedures set forth in the provisions of applicable regulations are observed."

As a result of the discussions on the utilization of the profits of 2017, regarding the Board's resolution on 18.07.2018, it was agreed to not distribute any profits due to the losses incurred in the period according to the financial statements, which was approved by the shareholders in the Ordinary General Assembly Meeting on July 18, 2018.

2.6. Transfer of Shares

Article 8 of the Articles of Association governs the transfer of shares. According to the aforementioned Article, Ordinary Shares, and Preferred Shares, unless specified otherwise, may be freely transferred pursuant to the Turkish Commercial Code, Capital Market Law, these Articles of Association and the provisions of applicable law.

If any of the proprietors of Preferred Shares wishes to transfer his/her shares partially or wholly to third parties, he/she shall first extend a proposition to other proprietors of Preferred Shares, thereby determining a price in line with the market value of those shares and quantity and shall offer a reasonable time period. The proprietors of Preferred Shares shall be authorized to transfer the Preferred Shares to third party/parties, unless he/she consult the selling proprietor for the purchase of shares under the conditions set forth, within the designated time period.

If the proprietors of Preferred Shares transfer his/her shares to third party/parties, the Preferred Shares subject to such transfer will be immediately converted to Ordinary Shares. The Preferred Shares to be sold on the stock exchange are required to be converted into Ordinary Shares. If the proprietors of Preferred Shares apply to the Central Registry Agency (Merkezi Kayıt Kuruluşu Anonim Şirketi) or any another competent authority serving in a similar nature for conversion into tradable shares, the shares subject to the said application will convert automatically into Ordinary Shares.

SECTION 3 – PUBLIC DISCLOSURE AND TRANSPERANCY

3.1. Corporate Website and Its Content

Matters regulated by the Corporate Governance Principles of the Capital Markets Board are published on the corporate website of the Company, available both in Turkish and English, at www.sokmarket.com.tr. Majority of the information published on the website have an English version.

3.2. Annual Report

The annual report of the Company is prepared in conformity with the Corporate Governance Principles under Corporate Governance Communiqué (Serial No. II-17.1), as detailed as to allow the shareholders and public to access full and accurate information regarding the Company's activities.

SECTION 4 - STAKEHOLDERS

4.1. Information to Stakeholders

The “Disclosure Policy” of the Company is implemented within the framework of the rules set by statutory regulations, CMB legislation and published Communiqués. The Company prepared a written document with regard to public disclosure and information, which was announced to the public and shareholders via the website of the Company upon approval of the Board of Directors.

The Board of Directors has the mandate regarding the formulation of, and changes to, the disclosure policy of the Company. Disclosure Policy and any changes thereto are published on the website upon the Board's approval, and presented to the shareholders at the first General Assembly Meeting to take place.

Investor Relations Department is in charge of implementing the Disclosure Policy. The core principle is to transmit any and all public information to the relevant person promptly upon request. Information is provided to shareholders verbally or in writing upon request. In cases where material events take place in a given year, material event disclosures are made in time. Our annual reports are prepared in a manner to cover all details to allow the public to access all information regarding the Company's activities.

4.2. Participation of Stakeholders in Management

According to the Articles of Association, the Board of Directors is composed of six or eight members who are elected by the General Assembly upon nomination by the shareholders of different share classes in accordance with the Articles of Association. In the event that the ratio of the Preferred Shares equals to 20% (inclusive) of the Company's total shares, or exceeds this ratio, half of the members of the Board of Directors of the Company shall be elected among the candidates nominated by Preferred shareholders. The Company does not have any practices related to stakeholders' participation in management.

4.3. Human Resources Policy

In a country-wide organization that rapidly grows every day, the Human Resources processes are managed in full integration with our vision.

At the core of our Human Resources Policy lies building human resources processes by which all our employees can amplify their success stories in their career journeys, and maintaining continuity of

these processes. It also has made it a principle to provide equal opportunities to all employees in this journey and adopt a fair management understanding.

Contribution to Employment

ŞOK Marketler aims to offer a pleasurable shopping experience for each customer at its stores spread across Turkey. In line with the targeted growth strategy, it contributes to regional and nation-wide employment with new stores to be opened.

Talent Management

Career Management

At ŞOK Marketler, career and performance management systems are managed in conformity with the guidelines established by Human Resources Department.

In order to guarantee furtherance of sustainable and high performance culture, individual targets are aligned with those of the Company by function, and assessed via a system based on balanced distribution model. Similarly, the skills of employees are put to 360-degree assessments, as part of our skills framework. Career management is carried out in a planned manner for each employee, by combining knowledge, skills and competencies set for each position in line with those systems in the Human Resources Planning (IKP) studies. Talents who provide added-value to the vision with their achievements are identified during Human Resources Planning activities. Learning and development process of the talents are determined, while their motivation and loyalty within the organization is encouraged.

We give priority to our employees in our talent pool, composed of existing employees, in addressing the need for talents at our Company that grows every day. Every talent in the Sales Operation Organization in particular is invited to our weekly assessment center practices for the career opportunities defined. With this practice, Store Managers who we consider talents are promoted as Regional Managers, which is the first-level manager position in on-field management. ŞOK Marketler aim to share its experience in retail sector with employees, and therefore manage the strategy and vision for field operations with its own talent pool.

Learning and Development

We have an online training platform “Akademi ŞOK” in place to support learning and development of more than 27,000 employees at our large-scale organization. The Platform has been enriched with the Company’s experience in the retail sector, which is the main driver of its rising success. Accordingly, the platform’s main purpose is to contribute to employees’ learning and development with online learning tools. By taking especially the profile of young generation employees into consideration, the platform is managed in a manner to allow employees to learn from one another and willingly (sustainably) use next-generation training tools available on the platform.

SECTION 5 -- BOARD OF DIRECTORS

5.1. Structure and Organization of the Board of Directors

The Board of Directors is composed of six members, two of whom are independent members. There are executive and non-executive members in the Board of Directors. All Board Members are non-executive. Non-executive members include independent members, who satisfy all of the criteria set out in the Capital Market Law, who have the capacity to perform their duties with impartiality, and who can devote their time to monitor the functioning of the Company and to fulfill all the responsibilities vested to them as independent members. The Chairman of the Board of Directors and Chief Executive Officer (CEO) are different persons with separate duties. There is one female member in the Board. Details of the Members of the Board of Directors are as follows:

Full Name	Role	Executive/ Non-Executive	Term/ End of Term
Cengiz SOLAKOĞLU	Chairman	Non-Executive	3 Years/18.07.2018-18.07.2021
Ali ÜLKER	Deputy Chairman	Non-Executive	3 Years/18.07.2018-18.07.2021
Mustafa Yaşar SERDENGEÇTİ	Member	Non-Executive	3 Years/18.07.2018-18.07.2021
Erman KALKANDELEN	Member	Non-Executive	3 Years/18.07.2018-18.07.2021
Ahmet BAL	Independent Member	Independent	3 Years/18.07.2018-18.07.2021
Ceyda AYDEDE	Independent Member	Independent	3 Years/18.07.2018-18.07.2021

**Résumés of the Members of the Board of Directors are also available in the Annual Report, in the Section “Board of Directors.”*

Independent Board Members’ Statement of Independence

I hereby agree, represent and undertake that I read and understood the Corporate Governance Principles under Capital Market Legislation, Articles of Association, and the Capital Markets Board’s Communiqué on Corporate Governance numbered II-17.1; and that I meet all the criteria for Independent Board Membership as specified in principle no. 4.3.6 attached herein:

Ceyda Aydede

4.3.6 - A member of the board of directors who meet the following criteria shall be referred to as an “independent member.”

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation holds control of management or significant effect (in determining the control and significant effect, the provisions of TFRS 10 and Turkish Accounting Standards 28 should be referred to, respectively) and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree (In case that the corporations within the scope of this subparagraph are non-active in the last three account periods, there shall not be a violation of the independence criteria. In case that the rate of the turnover/profit before tax obtained from the significant commercial relation is 20% or more than the total turnover/profit before tax obtained from

same kind of business in respect to any of the candidates for independent member or any person from the corporation, independence shall be deemed damaged).

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities or member of board of directors within the last five years in companies that the corporation purchases from or sells to goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods).

c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.

d) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that it is in compliance with the relevant legislation.

e) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

f) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interest between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

g) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties.

h) Not to have conducted membership of board of directors more than a term of six years in the last ten years.

i) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are admitted to trading on the stock exchange.

j) Not to be registered and announced as a board member representing a legal entity.

I hereby agree, represent and undertake that I read and understood the Corporate Governance Principles under Capital Market Legislation, Articles of Association, and the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1.; and that I meet all the criteria for Independent Board Membership as specified in principle no. 4.3.6 attached herein:

Ahmet Bal

“4.3.6- A member of the board of directors who meets the following criteria shall be referred to as an “independent member.”

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation holds control of management or significant effect (in determining the control and significant effect, the provisions of TFRS 10 and Turkish Accounting Standards should be referred to, respectively) and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree (In case that the corporations within the scope of this subparagraph are non-active in the last three account periods, there shall not be a violation of the independence criteria. In case that the rate of the turnover/profit before tax obtained from the significant commercial relation is 20% or more than the total turnover/profit before tax obtained from same kind of business in respect to any of the candidates for independent member or any person from the corporation, independence shall be deemed damaged).

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities or member of board of directors within the last five years in companies that the corporation purchases from or sells to goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods).

c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.

d) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that it is in compliance with the relevant legislation.

e) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

f) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interest between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

- g) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties.
- h) Not to have conducted membership of board of directors more than a term of six years in the last ten years.
- i) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are admitted to trading on the stock exchange.
- j) Not to be registered and announced as a board member representing a legal entity.

5.2. Rules of Conduct of Board of Directors

The Board of Directors took 58 resolutions within the period of January-December in 2018.

In 2018, the Board held 5 meetings, with an attendance rate of 86%.

BOARD OF DIRECTORS' MEETINGS

The Board of Directors convenes at any time as required by the activities of the Company. The venue is the Headquarters of the Company. However, the Board of Directors may convene at any other convenient place in or outside of Turkey, subject to the Board of Directors' resolution.

The chairman or deputy chairman set the agenda for the Board of Directors.

Presence of majority of the total number of members of the Board of Directors is required for a resolution to be adopted, without prejudice to the provisions of the capital market legislation. Resolutions shall be adopted by a majority of votes of members present at the meeting.

Meetings may be conducted through teleconference, video conference or voice or video communication means and resolutions may be adopted upon signing the minutes related thereto. A resolution may be adopted without the need for a meeting in case that all of the members of the Board of Directors unanimously approve the resolutions by signing them.

Those who have the right to attend the Board of Directors' meetings may also attend them via electronic means, pursuant to Article 1527 of the Turkish Commercial Code. The Company may establish an Electronic Meeting System allowing beneficiaries to participate in Board of Directors' meetings and vote via electronic means, as per the terms of the "Communiqué regarding the Meetings other than General Assembly Meetings to be held in Electronic Environment in Joint Stock Companies" or may purchase systems designed for this purpose. It shall be ensured in those meetings that the beneficiaries exercise their rights set forth in the provisions of the relevant legislation within the framework of relevant Communiqué of the Ministry through the system installed or through the system from which support will be received under this provision of the Articles of Association.

In the event of Board of Directors' meetings held in electronic environment, the provisions related to quorum in these Articles of Association shall be applicable in the same way.

Minutes of the meetings and reports of the Audit Committee, Corporate Governance Committee and Risk Committee were followed up by the Board of Directors in 2018.

No related party transactions or other transactions of significant nature were submitted to the approval of the independent board members. Important decisions with regard to matters that must be disclosed to the public are announced to the public promptly after the meeting.

5.3. Number, Structure and Independence of the Committees Formed by the Board of Directors

The Board of Directors established three committees including Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee.

One independent member of the Board assumes tasks in more than one committee since there are two independent members.

Committees generally convene one day before, or on the same day as, Board of Directors' meetings.

Working principles of the committees formed under the umbrella of the Board of Directors were prepared and necessary arrangements were put in place regarding monitoring of such principles by relevant units.

Audit Committee

Full Name	Remarks
Ahmet BAL	Independent Board Member (Committee Chair)
Ceyda AYDEDE	Independent Board Member (Committee Member)

The Audit Committee is in charge of assisting the oversight of Board of Directors regarding accuracy and quality of the financial statements and related disclosures of the Company; implementation and effectiveness of the accounting system of the Company; qualifications and independence of independent auditors; determination of the independent audit company; approval and review of the contract between the independent auditor and the Company; effective functioning of the independent audit system; and implementation and effectiveness of the internal audit practices at the Company.

The Audit Committee is composed of at least two members elected by the Board of Directors from among independent board members. The Committee convenes four times in a year, no less than once in every three months. In 2018, it convened four times, and presented reports involving opinions and comments to the Board of Directors.

Corporate Governance Committee

Full Name	Remarks
Ceyda AYDEDE	Independent Board Member (Committee Chair)
Erman KALKANDELEN	Board Member (Committee Member)
Mustafa Yaşar SERDENGECİ	Board Member (Committee Member)
Çağrı DEMİREL	Investor Relations Manager (Committee Member)

As Nomination Committee and Remuneration Committee, as stipulated by the Corporate Governance Principles, were not established due to the structure of the Board of Directors, the duties falling under the scope of these committees have been assumed by the Corporate Governance Committee.

The Corporate Governance Committee is tasked with monitoring the Company's compliance with Corporate Governance Principles, undertake improvement efforts and submit proposals to the Board of Directors on this matter, in conformity with the CMB Legislation and the Corporate Governance Principles of the Capital Markets Board.

It is composed of at least three members, including minimum two Board members and head of the Investor Relations Department.

Early Detection of Risk Committee

Full Name	Remarks
Ahmet BAL	Independent Board Member (Committee Chair)
Cengiz SOLAKOĞLU	Board Member
Mustafa Yaşar SERDENGECİ	Board Member

The main purposes of the Risk Committee, which will function under the Board of Directors, include

- Early detection of strategic, operational, financial, legal and other risks of any nature that may jeopardize the Company's existence, growth and business continuity;
- Controlling and validating effective management of the detected risks via assessment within the scope of the corporate risk taking limits of the Company;
- Prioritizing those risks above the corporate risk taking limits by their impact and probability;
- Determining and implementing necessary measures against detected risks; and managing risks.

The Early Detection of Risk Committee is composed of at least two members. The majority of the Committee members are non-executive Board Members. The Chief Executive/CEO may not assume duties in the committees.

The committee convenes six times in a given year at maximum, no less than once in every two months. The meetings of the Committee may be held with members attending in person or via technological communication means. The timing of the meetings is aligned with the timing of the Board meetings where possible.

The committee prepares a report on the findings and suggestions in their areas of responsibility, as a result of the meetings held once in every two months, and submits such reports to the Board of Directors.

5.4. Risk Management and Internal Control Mechanism

Risk management systems are reviewed at least once in a year; an annual risk assessment report is prepared for submittal to the Board regarding the activities of the Committee which will be included in the Annual Report.

5.5. Strategic Objectives of the Company

Mission, Vision, and Strategic Objectives of the Company The Company and all subsidiaries of Yıldız Holding were founded on the philosophy that "every person has the right to a nice childhood regardless of the country s/he lives in." The vision of ŞOK Marketler is to become the most preferred retail brand and the leading modern food retailer in Turkey, while continuing to create value for our investors. The Company's vision and mission is publicly available at www.sokmarketler.com.tr.

5.6. Remuneration

Remuneration of the members of the Board of Directors is determined by the General Assembly according to the financial situation of the Company. Pursuant to the resolution taken in the General Assembly Meeting on July 18, 2018, the number of Board Members was determined to be six people; and it was approved to elect Ahmet BAL and Ceyda Aydede as independent board members with an office term of 3 years, to elect Cengiz Solakoğlu, Ali Ülker, Mustafa Yaşar SERDENGECİ and Erman KALKANDELEN as other Members of the Board of Directors, to appoint Cengiz Solakoğlu as the Chairman and Ali Ülker as the Deputy Chairman, and to pay a net monthly membership salary of 5,000 TL to Cengiz Solakoğlu and independent members.

Other Information Regarding The Company's Activities

- The nominal amount of 20.604.368 TL arising from the transactions made within the scope of price stability transactions is presented under “Repurchased Shares” in the financial statements according to Capital Markets Board (CMB) Communiqué Serial VII-128.1 (“CMB Communiqué on Shares”) and Borsa İstanbul A.Ş. (“BİAŞ”) Implementation Procedures and Principles Regarding the Operation of Share Market.
- The Company did not undergo a private or public investigation in 2018.
- No administrative or penal sanctions were imposed on the company or the members of the Board due to practices in breach of applicable laws in 2018.
- The Company reached the goals it had set to a great extent in 2018. The General Assembly Decisions taken in 2018 were implemented.
- There are no legal proceedings launched in the interest of the Company or measure taken or refrained to be taken in the interest of an affiliated company.
- There is no measure taken or refrained to be taken to the detriment of the Company in 2018.
- There is no lawsuit filed against the Company which may affect its financial situation and activities in 2018. Details are disclosed in Note 14 of the audit report which includes the financial statements and footnotes.
- There were no conflicts of interest between the Company and other institutions of investment advisory and rating agency and no measures taken by the Company in order to prevent conflicts of interest.

Registration Number

424593

ŞOK Marketler Ticaret A.Ş.

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