

# Business Ethics and Compliance with Corporate Policies and Laws

## RISK MANAGEMENT AND INTERNAL CONTROL

In order to manage the operational, functional and financial performance risks in our processes and units, these risks are defined in detail at the **Migros Internal Control System**, analyzed independently to ensure accurate information transfer, and the results are presented to our company's management. The building blocks of this system are as follows:



**Our Risk Management Unit:** This unit, which is affiliated to our CFO and Early Detection of Risk Committee, continues its activities to detect risks that may endanger the existence, development, and continuity of our company early on, and to take and implement necessary precautions regarding identified risks. In this context, various risk indicators are monitored in order to **foresee the risks** that may prevent the realization of our company's strategic business goals, **monitor the factors that create these risks**, and determine and **measure the probability of occurrence** of risks and their **effects**.

**Our Early Detection of Risk Committee:** Monitors the changes, whose analysis and follow-up are done by the relevant units, and evaluates whether appropriate actions are taken at **meetings held at least six times a year**.

**Our Internal Audit Department:** Researches and examines activities and transactions carried out by our company within the scope of internal audits performed throughout the year. When any irregularities are detected, detailed examinations are made in order to take the necessary measures, and suggestions are made to eliminate irregularities. Our Audit Committee: Our Internal Audit Department

is functionally affiliated to this committee, and regularly reports all important findings, results and analysis from the audits it performs related to topics such as ethics, the fight against bribery and corruption, and compliance with human rights.

In 2020, audits, approved by our Audit Committee, were performed, and their findings were shared with the committee every three months. Furthermore, control audits, on matters which were reported to the Senior Management and for which measures to be taken were determined, were performed.

As in previous years, our Internal Audit Department carried out its activities in 2020 **in compliance with the standards and ethical rules of the International Institute of Internal Auditing (IIA)**. As a result of the audits carried out by TSI, the **TS EN ISO 9001 Quality Management System Certificate was maintained in 2020 within the scope of "Internal Audit, Consultancy and Assurance"**. With this document, it is possible to routinize and standardize the "Internal Audit, Consultancy and Assurance" activities and establish a constantly developing structure.

## BUSINESS ETHICS, ANTI-BRIBERY AND ANTI-CORRUPTION

We consider the fight against bribery and corruption as part of our risk management practices, and evaluate it with a risk-focused approach. With an understanding and approach that covers all our company's domestic activities, our risks and potential impacts are subject to audits and evaluations. Our overseas audits are included in the risk-based internal audit plan and carried out, in the form of process and store audits, every year. The building blocks of this system are as follows:

**Our Internal Audit Department:** Makes inquiries, based on results obtained from the examination of daily and monthly transactions, and evaluates our employees' high-risk duties in terms of bribery and corruption risks. If there is a suspicious situation related to fraud, bribery or corruption within the scope of our activities, it is immediately investigated and clarified, the necessary legal process is followed, and stakeholders are informed, if necessary.

**Our Ethics Committee:** This committee, which consists of our company's Corporate Communications, Industrial Relations, Internal Audit, and Sales directors, evaluates internal audit findings, high-level risks and ethical principles within the scope of the fight against bribery and corruption, and meets four times a year.

**Our Executive Ethics Committee:** Our Ethics Committee reports our company performance, within the scope of our **Anti-Bribery and Anti-**

**Corruption Policy**, to the Migros Ethics Executive Committee, which consists of the General Manager and relevant Assistant General Managers in our senior management.

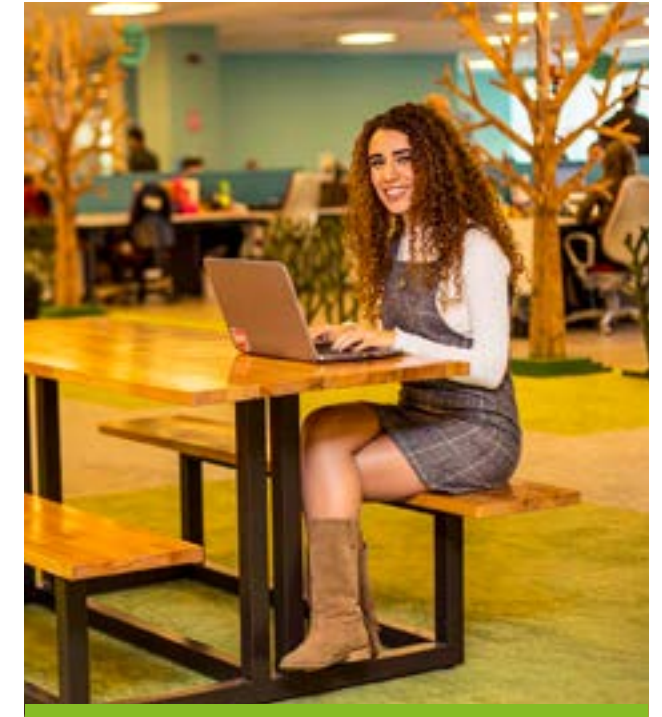
In 2020, our company did not face any controversial accusations in terms of bribery and corruption.

**Our related policies and rules:** We continue our activities in full compliance with the **Migros Code of Ethics and our Anti-Bribery and Anti-Corruption Policy**, implementation of which is firmly supported by our Board of Directors. Our Migros Code of Ethics, established within the framework of our company's ethical approach and ethical rules, and our Anti-Bribery and Anti-Corruption Policy, which includes the attitudes, responsibilities and sanctions to be taken in case of a suspicion of bribery or corruption, can be accessed by all our stakeholders on our corporate website. Both our Migros Code of Ethics and our Anti-Bribery and Anti-Corruption Policy comply with the membership declaration and ethical principles of the Ethics and Reputation Association (Etik ve İtibar Derneği – TEİD), of which we became a member in order to benefit from its knowledge on ethics, the fight against bribery and corruption, employee abuse and



third-party risks, to get opinions and to participate in its training on necessary issues.

After being evaluated based on the 80 items, including ethical values, business ethics, reputation management, corporate governance, corporate social responsibility, compliance management, leadership and creativity, at the **ETİKA Turkey Ethics Awards** organized by the Ethical Values Center Association (Etik Değerler Merkezi Derneği - EDMER), we were listed among the "Most Ethical Companies of Turkey".



## COMPLIANCE WITH CORPORATE POLICIES AND CODE OF CONDUCT

Our “**Human Resources**”, “**Human Rights and Equal Opportunity**”, “**Anti-Bribery and Anti-Corruption**”, and “**Responsible Sourcing**” policies are reviewed and updated each year by the relevant departments. **We share current policies with our employees via email and circulars, with our suppliers and contractors through our B2B channel MECOM, and with the public via our corporate website.** Our policies were last updated in 2020. Our guidebook, called the “**Orange Book**”, which explains all our corporate policies and the Migros Code of Ethics transparently and in detail, has been prepared for our employees. This guidebook is shared with all our employees via email when they start new jobs and is also available on the intranet.

In order to ensure that our corporate policies are understood and adopted, we present our policy contents, in the e-training format, to all our employees. While our current employees are expected to complete this training, our newly recruited employees receive the training within the first month of employment. Our employees who cannot pass the exam at the end of the training are required to repeat the training. As of 2020, the number of our employees who completed this online training, which covers our corporate policies, reached **37,290**. The same training was offered **to our suppliers via MECOM and our B2B channel, which has 1,441 active users.**

Within the scope of our activities with the Ramstore brand, our relevant corporate policies were translated into the local languages of Kazakhstan and North

Macedonia (Kazakh, Macedonian and Russian), uploaded to the websites and intranets of the company, and employees were informed via email. In addition to these, our corporate policies were posted on store boards for our store employees. \*

**Our Human Resources and Industrial Relations Departments** evaluate our employees’ violations in terms of ethics, bribery and corruption, and report them to our Senior Management. In case our union member employees violate these rules, the Disciplinary Committee is convened with the participation of union representatives, in parallel with the Collective Bargaining Agreement. Violation of the Migros Code of Ethics or the Anti-Bribery and Anti-Corruption Policy results in the termination of the employee’s employment contract.

If **our employees** have any doubt about the violation of ethical issues, especially bribery and corruption, they may send a notification to the email address **etikkurul@migros.com.tr** and the notifications are sent directly to the Migros Ethics Committee.

Our **customers, suppliers and other stakeholders** can report their complaints and notices on bribery, corruption and other ethical issues via the 444 10 44 Customer Service line or e-mail address **etik@migros.com.tr**.

Thanks to our **open-door policy, the contact information of all Senior Management and function managers of our company is available on our corporate website**, and all our stakeholders can



**anonymously report** any potential violation of ethical rules to Migros managers. Our company makes the commitment that **there will be no retaliation against personnel who report misconduct**, and none of our employees can be held responsible for damages that the company may incur due to their non-compliance with the Migros Code of Ethics or their refusal to act in an unethical manner. Furthermore, **they will not be subject to any sanction** in the event of such a situation.

*\*As of the end of 2020, our retail operations in Kazakhstan were terminated, our activities continue with 1 shopping mall. And as of March 2021, our North Macedonia operations, have been terminated. You may find detailed information in our **2020 Annual Report**.*



In case of non-compliance with our corporate policies and Code of Ethics, we have an **“Ethical Reporting Record Monitoring”** system in order to collect and evaluate all notifications reaching our company via various communication channels, such as the call center, email and mobile application, at a single point, and to monitor actions systematically.

In 2020, we received 451 reports on ethical issues from all our official communication channels, 139 of which came from employees. Based on evaluations of the relevant persons made by our Disciplinary Committee, warnings, aggravated warnings and termination of service contracts were performed, according to necessity. 15 notifications were received within the scope of abuse of duty, situations that do not comply with rules of morality and goodwill, unethical behavior, neglect of duty, harassment, intimidation, and illegal unjust gain. As a result of the investigation of the reports by our Disciplinary Committee, the contract of an employee, who was alleged to have practiced intimidation, was terminated. While three employees were given aggravated warnings about harassment allegations at the workplace, the service contracts of 11 employees were terminated. One of the 451 reports was about bribery and corruption. The Ethics Committee convened to discuss the 2 employees who were the subject of this allegation, and while one person left the job voluntarily, the Disciplinary Committee convened to discuss the other person, whose service contract was terminated.



### COMPLIANCE WITH HUMAN RESOURCES POLICIES

**The human rights risk assessment** is part of our company's risk assessment process. As part of the social compliance assessments focusing on human rights, our risks and potential impacts are subject to audits and evaluations for all our company's domestic activities.

**Chief Human Resource Officer** of our human resources processes and relations with our employees in line with our Human Resources Policy. Compliance with both this policy and our **Human Rights and Equal Opportunity Policy is regularly monitored by our Internal Audit Department** and reported to our Senior Management. In case of being informed about issues that may create an inappropriate situation or receipt of a complaint, additional audits are organized regarding the issue. Furthermore, **suggestions and feedback** from our internal customers, received via the **Work Life Evaluation Survey, provide input** to the work we perform to ensure full compliance with our Human

Rights and Equal Opportunity Policy. In addition to our corporate policy training, we have been providing online training to our employees since 2019 on **basic human rights**, defined in the Universal Declaration of Human Rights. In 2020, 38.28% of our employees completed this training, and since 2019, a total of **28,541 employees** have completed the training.

A total of **4,087 hours** of training were provided in 2020. According to pre-test and post-test results, we detected a **26% increase** in knowledge as a result of the training. In 2020, online training on the Human Rights Policy was provided for employees of the security companies that we outsource. 95% of our security employees have completed this training



**28,541** employees  
**4,087** hours

As stated in our Human Rights and Equal Opportunity Policy, in all markets in which we operate, including our foreign subsidiaries in North Macedonia and Kazakhstan, we perform our activities **in line with the UN Guiding Principles on Business and Human Rights, as well as the ILO Declaration on Fundamental Principles and Rights at Work**. We are committed to abiding by these standards, even in the event of a risky situation or an adverse development.

Our human resource processes, from recruitment and placement to compensation, within our operations in Turkey and our foreign subsidiaries in North Macedonia and Kazakhstan, are managed according to the job profiles that we have defined in detail. We employ applicants based on their competencies, regardless of culture, age, gender or disability. Accordingly, the starting level salary in our stores is based on the minimum wage and fringe benefits, regardless of gender. We implement our human resources evaluation system within the framework of the "equality for all" principle, and we monitor the competence, ability and performance of our employees by measuring them according to general and objective criteria.

As soon as our company received 1 notice of discrimination in 2020, the Ethics Committee convened, and it was determined that the allegations did not reflect the truth. Therefore, there were **no cases of discrimination**. Until 2025, we aim to perform our operations that constitute our field of activity and all other operations that constitute our value chain with 99% compatibility with our Human Rights and

Equal Opportunity Policy. **During internal audits carried out in 2020, no human rights violations were detected within our operations.** There is no child labor or forced labor among employees, either in our domestic operations or foreign subsidiaries. The male and female employees with children within our company are ensured all the rights specified by all legal permissions, laws, regulations and collective agreement provisions.

As part of our overseas operations, human rights and equal opportunity studies are performed at Ramstore Macedonia and Ramstore Kazakhstan\*, with the guidance of official authorities. In our operations conducted in our Ramstore Macedonia and Ramstore Kazakhstan, no case of discrimination, child labor or forced labor was detected.

In line with the international **ISAE 3000 (Revised) Standard**, our statements in the relevant report on maternity leave, the right to freedom of association and collective bargaining, the basic salary and the ratio of women's wages to men, the training received by employees in accordance with human rights policies/procedures, and security personnel trained on human rights have all been verified by an independent auditing firm.

**\*As of the end of 2020, our retail operations in Kazakhstan were terminated, our activities continue with 1 shopping mall. And as of March 2021, our North Macedonia operations, have been terminated. You may find detailed information in our 2020 Annual Report.**

You may access the Independent Assurance Statement on Human Rights and Supply Chain (Selected Criteria) in the **'Appendix'** section of our report.



# Responsible Advertising and **Marketing**

In our advertising and marketing activities, we are committed to ensuring that our advertisement production and broadcast communication are compliant with all regulations and rules. In line with our Broadcasting Policy, products that are not suitable for children's consumption are not communicated in programs and channels targeting audiences under the age of 12. Additionally, we perform all communications via television regarding processed foods, accompanied by an appropriate disclaimer text provided by the Ministry of Health. Within the scope of our advertising, promotion and sponsorship activities during the reporting year, 1 administrative fine and a suspension penalty were received for allegedly misleading campaign information. The legal process is ongoing.

