

# Our Value Creation-Oriented Governance Approach

As Migros, we carry out all our activities with a focus on transparency, responsibility, sensitivity and efficiency since the day we were incorporated. Being aware of the importance of taking steps today for tomorrow, we place sustainability at the center of our business manner and act with a focus on creating long-term value considering the expectations of all our stakeholders. Accordingly, we updated our strategies in 2021 and set 4 main strategic areas: **creating a unique shopping experience, sustainable ecosystem, omni-channel growth, and competitive and winning corporate culture.** We always work to provide the basic needs of our customers with top-quality and to provide all our customers with a unique shopping experience with our leading practices.

We determine our economic, social and environmental priorities in the areas we directly affect with our efforts. We assess our current situation and set development targets. We proceed through our main strategies, and we also serve to United Nations Sustainable Development Goals. We guide our works through national goals and Green Deal Action Plan of Türkiye and transparently share with all our stakeholders our path toward our goals, within the framework of our Migros Better Future Plan.

We aim to grow together with all our stakeholders in our value chain, by observing their needs. **We aim to sustain the benefit we provide today and here, independent from time and space, and to create sustainable economic value for all our stakeholders with the positive**

**transformation we create.** While taking all our business decisions, we first consider their compliance with our sustainability approach. We plan the resources that we need within the scope of our activities, in a way to use them efficiently, usefully and optimally.

With our value creation-oriented governance approach, we work to provide better services not only to our customers, but also to all our stakeholders. In this context, we

manage all our activities effectively, within the framework of our responsible and transparent governance understanding. We act by establishing the necessary committees and departments within our company. With the committees and departments that we established under our Board of Directors aimed at our strategies, we reflect our business model, performance and focus on sustainable business based on the principles of integrity and transparency.



## Our Integrated Governance Model

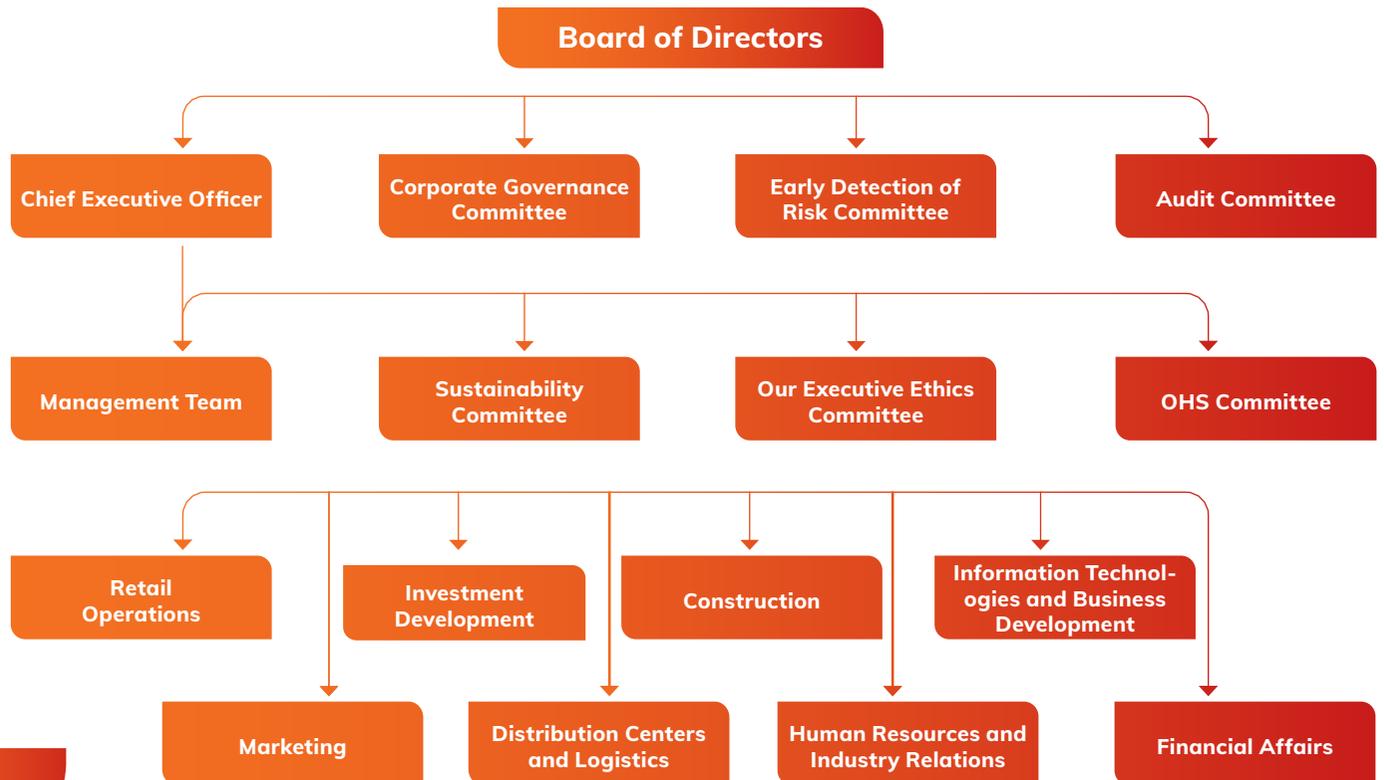
Migros Board of Directors, elected by the General Assembly, is the highest strategic decision-making and control body of our company. Our Board of Directors is responsible, in parallel with our corporate governance principles, for the fair, responsible, transparent and accountable management of our Company, by observing the balance between risk and return, growth and benefits of the company. Our Corporate Governance Committee, Early Detection of Risk Committee and Audit Committee comply with the requirements of the Turkish Commercial Code and Capital Markets Board (CMB) legislation. Our Executive Ethics Board, Occupational Health and Safety (OHS) Committee, Sustainability Committee and Management Team report to our Chief Executive Officer.



You can find detailed information on the members, structure and working principles of our committees on **our corporate website** and in our **Annual Report for 2021**.



You can find detailed information on our operation and management in our **Corporate Governance Principles Compliance Report**.



## Our Board of Directors

We have 12 members on our Board of Directors\*, 1 of whom is female\*\* and all of whom are experienced in the retail industry and the members are elected to serve for 1 year until the next year's General Assembly Meeting. 4 of our Board Members fulfill the conditions for independency specified in the CMB's Communiqué on Corporate Governance (Kurumsal Yönetim Tebliği), and they are independent members. Our Board of Directors convenes at least 8 times a year. The remunerations of our independent Board Members are determined by the General Assembly at the ordinary General Assembly meeting regularly every year. The position of Chairman of the Board of Directors and the Chief Executive Officer of our Company should not be held by the same person. Moreover, our Board Members other than the Chief Executive Officer (CEO) do not have any executive function. Members of the Board of Directors are elected for a maximum of 3 years, unless a shorter term is determined at the General Assembly. Members of the Board of Directors whose term of office expires can be re-elected. They are elected to hold office for 1 year until the **Ordinary General Assembly Meeting** for the relevant year. In addition, our Board of Directors passes through a performance assessment.

Upon the recommendation of Migros Corporate Governance Committee, it is aimed to have at least 25% female members in the Board of Directors. Accordingly, we review the structure of our Board of Directors every year and make planning in this respect.

Our Board Members have a participation rate of 80% in the meetings. Our members attend the meetings of the Board of Directors in person, and the members who can-



not attend physically can attend the meeting electronically. In addition, the meetings of our Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee operating under our Board of Directors are generally held with full participation due to the possibility of online participation. Our company does not allow for a voting privilege. All votes have equal effects. Every shareholder has a right of vote proportional to the shares, in the General Assembly meeting.

\*Information on the Board of Directors election process is included in our **2021 Annual Report**. You can find detailed information on remuneration of Board Members and CEO and Senior Management in the **Remuneration Policy**.

\*\*The rate of female members in the Board of Directors is 8.3%.



## Our Corporate Governance Committee

Our Corporate Governance Committee was established under the Capital Markets legislation, and is carrying out its activities by reporting to the Board of Directors. The purpose of the Committee is to identify whether or not the corporate governance principles are implemented in our Company, and if not, the reason therefor, and the conflicts of interest that arise due to the failure to fully comply with these principles, to make recommendations to the Board of Directors to improve the corporate governance practices, and to supervise the efforts of the Investor Relations Department. Our Committee, consisting of at least 2 members, convenes with the participation of one more than half of the number of members, takes decisions by the majority of votes, and convenes at least 4 times a year

with intervals of at least 3 months. The Chairman of the Corporate Governance Committee is elected from among the independent Board Members. When necessary, those persons who are not a Board Member but are an expert in their area can be included in the Committee, and opinions of independent experts can be benefited on the issues deemed necessary. The Board of Directors provides any resources and support necessary for the Corporate Governance Committee to fulfill its duties. The meeting minutes kept as a result of the meetings held are presented to the Board of Directors as an advisory, but the final decision authority on the relevant issues is the Board of Directors. Our Corporate Governance Committee also fulfills the duties of the Nomination Committee and Remuneration Committee in accordance with the Corporate Governance Communiqué.

## Our Early Detection of Risk Committee

Our committee, having the highest responsibility after our CEO in management, follow up and auditing of risks, monitors the changes analyzed and followed up by the relevant departments, and assesses whether appropriate actions have been taken, in the meetings held at least six times a year.

**Our Risk Management Department:** The department works in collaboration with the CFO and the Early Detection of Risk Committee and continues its activities for early detection of risks that may endanger our company's existence, development and continuity in long or short-term, and for quickly taking and implementing the necessary measures related to the risks identified. It tracks various risk indicators created in order to foresee the risks that may prevent the achievement of our company's strategic business objectives, to monitor the factors that create these risks, and to identify and measure the probability of occurrence of risks and their effects.



## Our Audit Committee

Our Audit Committee consists of two independent Board Members. The Committee audits the accounting system of our Company and public disclosure of its financial information while also observing the functioning and efficiency of independent audit and our Company's internal control and audit systems. The Committee convenes at least four times a year and submits the meeting results to our Board of Directors.

**Our Internal Audit Department:** The audits carried out throughout the year allow investigation and review of our activities. The Department assumes the duty of making inquiries based upon the data obtained by the review of daily and monthly activities, and assessing the tasks of our employees that pose a high risk of bribery as well as the corruption risks. When a circumstance that might cause an irregularity is identified, our Internal Audit Department makes the necessary examination to enable the necessary measures, follows up the necessary legal process, informs the stakeholders about the issue if necessary and gives advice to keep the order. It regularly and functionally delivers to our Audit Committee all the findings, results and analyzes of the audits it carries out, which are important within the scope of anti-bribery and anti-corruption and the compliance with human rights.

In 2021, the audits approved by our Audit Committee were carried out by our Internal Audit Department and the findings identified were shared with our Committee quarterly. Furthermore, matters that were reported to the Senior Management and agreed on the measures were controlled and audited.



As in previous years, our Internal Audit Department carried out its activities in 2021 as well in compliance with the standards and codes of conduct of the International Institute of Internal Audit (IIA). As a result of the audits carried out by TSE (Turkish Standards Institute), we maintained continuity of TS EN ISO 9001 Quality Management System Document in 2021 to routinize and standardize the activities within the scope of “Internal Audit, Consultancy

and Assurance” and to establish an ever-growing structure.

Within the scope of the Audit Universe, which is updated every year, our audit plans are prepared to be completed in 3 years and are carried out with the approval of our Audit Committee.

## General Assembly

We organize an **Ordinary General Assembly Meeting** once a year with the participation of our shareholders. In addition, we hold investor teleconferences for investors at least 4 times a year. We comply with the clause “Announcement for the General Assembly Meeting is made at least three weeks before the meeting date” in the CMB legislation regarding the announcement of the Annual General Assembly Meeting.

There is no privilege pertaining in voting in our company and all votes are equal. Each shareholder has right to vote in proportion to his/her share at the General Assembly meeting. Detailed information on voting rights can be found in the **General Assembly Information document**. Voting in the General Assembly meetings is initiated simultaneously both physically in the meeting hall and in the electronic medium. Moreover, there is no complicating provision regarding cumulative voting in Migros' **Articles of Association**.

It is obligatory to take a Board of Directors resolution on the shareholders' right to approve important company transitions such as mergers and acquisitions, in which the principles of the transaction in question are determined in accordance with the **CMB legislation**, and this transaction must be submitted to the the shareholders at the General Assembly for their approval.



## Our Management Team

In order to ensure sustainable quality and industry leadership in line with the strategies and mission of Migros, our Management Team, which was constituted of different functions under our Chief Executive Officer, guides the company's management decisions to provide our customers with modern, reliable, economic and high-quality services at all times.

You can find detailed information about our **Management Team on our corporate website**. In addition, our Corporate Communication, Legal Services and Internal Audit Directors directly report to our Chief Executive Officer. One out of 9 members of our Management Team is female. 3 of all senior managers directly reporting to our Chief Executive Officer are female.

## Our Sustainability Committee

Upon the appointment of our Chief Executive Officer on behalf of our Board of Directors, the management, implementation, follow up and measurement of our Company's works on sustainability are under the responsibility of our Sustainability Committee. As of 2021, our Corporate Communication Director is the Chairman of the Sustainability Committee.

### Working Principles of our Sustainability Committee are as follows:

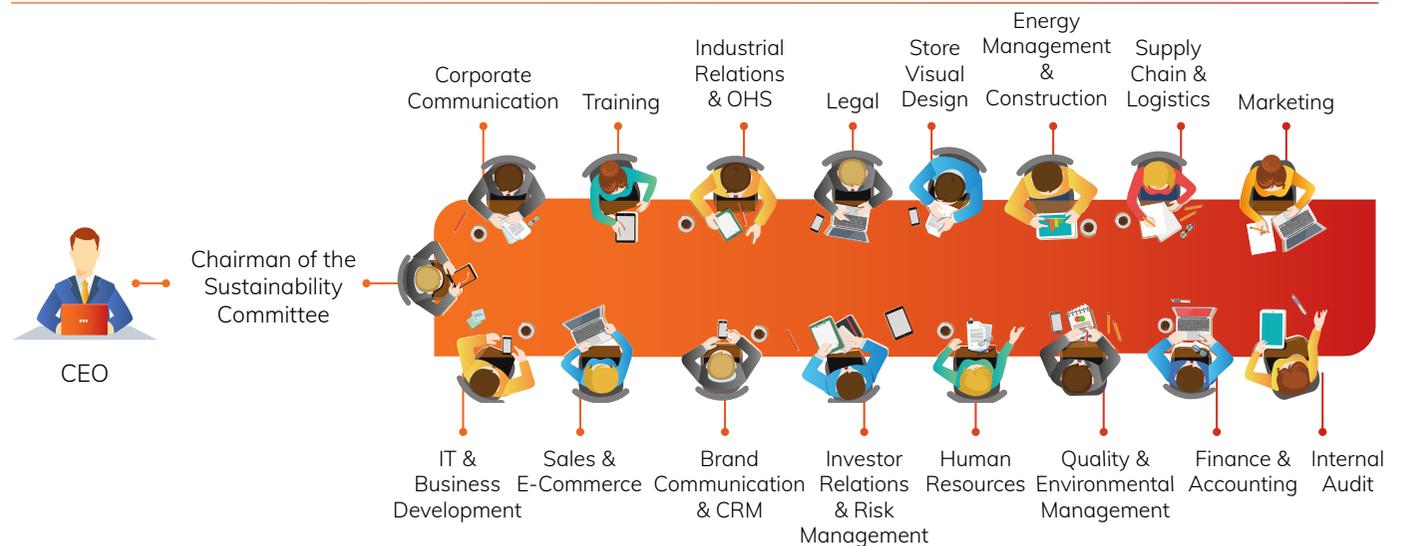
Sustainability is the primary responsibility of all our employees, and this responsibility is distributed top to bottom and bottom to top. Chairman of the Sustainability Committee is appointed by our Chief Executive Officer. The Sustainability Committee includes all the department directors and group managers of our Company as natural members. In addition, persons referred by the department senior managers that are actively taking charge in the area of sustainability also participate in the Committee. Accordingly, the Sustainability Committee includes minimum one representative from all main functions, and discussions are made in a democratic framework based upon equal participation. Our Sustainability Committee sets and submits to the Senior Management short and mid / long-term goals in accordance with our Company's main strategies. Thereafter, the main goals are presented to the Board of Directors, and the main sustainability goals finalized according to the opinions obtained are committed by the Board of Directors.

Minimum one of the annual goals of all our departments is expected to be in the area of sustainability in a way

to support our Company's main goals. We assess all our decisions and works on sustainability in accordance with national and international key performance indicators (KPIs), and we transparently share our annual performances with our stakeholders in accordance with the sustainability indices.

All members of our Sustainability Committee come together at least twice a year to hold a large assessment meeting. In addition, specified sub-committees conduct focused studies and report the results to our Sustainability Committee. The sub-committees meet more frequently according to the needs. Our Sustainability Committee and its sub-committees report our Company's works on sustainability, the process assessment and the result analysis to our Chief Executive Officer and senior management at least 4 times a year.

## Structure of Our Sustainability Committee



### The duties of our Sustainability Committee are as follows:

- ▶ To determine the development targets in priority areas, develop projects for targets and report according to the performance,
- ▶ To annually audit the sufficiency and effectiveness of our "Environmental", "Human Rights and Equal Opportunity", "Anti-Bribery and Anti-Corruption" and "Responsible Sourcing" policies,
- ▶ To follow up and analyze the issues of sustainability in the international and national arena.

## Our OHS Committee

Our Occupational Health and Safety (OHS) Department works to maximize the safety and security in our working environment. The director of this department also serves as an OHS representative. Our Occupational Health and Safety Committee, which can also directly report to our Chief Executive Officer, is comprised of the top management of the respective area, Human Resources Manage-

ment and senior managers of our relevant departments. The OHS Committee also includes occupational safety experts and workplace physicians who work full-time or are appointed as per legal processes. The committee regularly assesses the OHS processes of all Migros workplaces operating throughout Türkiye.

## Our Executive Ethics Committee

Our company's performance of our Anti-Bribery and Anti-Corruption Policy is reported by our Ethics Committee to our Executive Ethics Committee.

**Our Ethics Committee:** This committee, consisting of Corporate Communications, Industrial Relations, Internal Audit and Sales directors, evaluates the outputs of the internal audit for anti-bribery and anti-corruption, high-level risks and the issues in relation to ethical principles, and meets 4 times a year. Our Ethics Committee is chaired by our Industry Relations Director. The Committee examines, assesses and decides upon the communications received through our Company's communication channels, such as notifications or information letters etc., within the framework of our company's codes of conduct. The Ethics Committee convenes as needed and at least quarterly, and reports its works to our Executive Ethics Committee.

**Our Executive Ethics Committee:** Our Executive Ethics Committee, chaired by our Chief Executive Officer, is comprised of our Chief Human Resources Officer, Chief Marketing Officer and Chief Finance Officer, and our Industrial Relations Director. It is a special-function committee constituted to assess the internal ethics disputes communicated by our Ethics Committee and to take the decisions concerning the whole company. The Executive Ethics Board convenes as needed at least biannually.

