



# **Our Responsible Business Approach**

# Our Board of Directors and Capital Structure

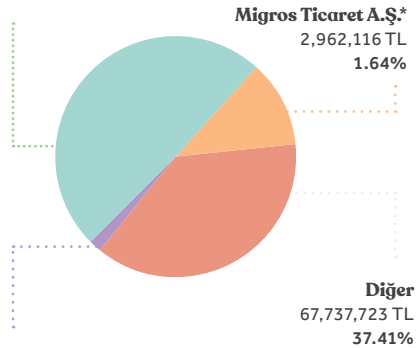
GRI 102-5, 102-16, 102-18

## OUR CAPITAL STRUCTURE

The capital structure of the company by December 31, 2019 is as follows:

### Migros Ticaret A.Ş. Capital Structure TRY 181,054,233

**MH Perakendecilik ve Ticaret A.Ş.**  
89,046,058 TL  
49.18%



**Kenan Investments S.A.**  
21,308,336 TL  
11.77%

\* Due to the merger, the company has bought back its own shares in accordance with CMB communiqués

## OUR BOARD OF DIRECTORS

Elected by the General Assembly for a limited term, the Board of Directors of Migros serves as the top strategic decision-making and control body of the company. The Board of Directors is tasked with managing Migros in a transparent, accountable, fair and responsible manner in accordance with the corporate governance principles of the company and by taking into consideration its risk-return balance, growth, and interests.

Migros Board of Directors has 12 members, all of whom are non-executive with the exception of the CEO. Four of the members meet the independent board member criteria as specified in the CMB Corporate Governance Principles. The positions of CEO and Chairman of the Board are held by different individuals who are both capable of representing Migros.

Detailed information on the members, organization and working principles of individual committees is available on our [corporate website](#) and in the 2019 Annual Report, while the [Corporate Governance Principles Compliance Report](#) contains other details regarding Migros operations and management.

[Please visit our corporate website to find out more about the organization of the Board of Directors.](#)





# Business Ethics and Compliance with Corporate Policies and Laws

GRI 102-11, 102-16, 103-1, 103-2, 103-3, 205-1, 206-1, 403-4, 407-1

## RISK MANAGEMENT AND INTERNAL CONTROL

Migros utilizes an Internal Control System to define the risks associated with its business processes and operational, functional and financial performance, ensure independent examination and present its findings to the management. The company's **Risk Management Unit** operates under the CFO and Early Detection of Risks Committee. The purpose of risk management is to ensure the early detection of risks that pose a threat to the existence, growth and continuity of Migros as a company, and guide and inform necessary measures against such threats. Working in collaboration with Migros employees, the Risk Management Unit monitors relevant risk criteria using a variety of risk indicators designed to predict and follow-up on risks that might prevent the company from achieving its strategic business objectives as well as to identify

the respective probabilities and potential impacts of said risks. Any changes are analyzed and monitored by relevant business units under the supervision of the Early Detection of Risks Committee, which convenes at least six times per year to identify whether appropriate action has been taken.

Throughout the year, the **Internal Audit Department** reviews and examines the company's activities and transactions via internal audits. In case these audits reveal any irregularities, a comprehensive investigation is launched to inform necessary measures as well as any action to prevent repeat occurrences in the future. The Internal Audit Department serves as a function of the broader-scope Audit Committee, to which it regularly reports material findings, results and analyses pertaining to its audits. During 2019, several Audit Committee-approved audits were carried out, and the results were shared with the committee on a

quarterly basis. Control audits were also carried out on issues previously reported to senior management and with relevant measures already agreed upon.

As in previous years, in 2019 the Internal Audit Department conducted its operations in compliance with the standards and ethical rules of the international Institute of Internal Auditors (IIA). Migros also maintained its **TS EN ISO 9001 Quality Management System certification** in the category of "**Internal Audit, Consultancy and Assurance**" through the audits carried out by the Turkish Standards Institution (TSE) in 2019. This certification serves to standardize internal audit, consultancy and assurance activities and drive continuous improvement.



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

Migros regards anti-corruption and anti-bribery as matters that fall within the scope of risk management, and exercises a risk-focused approach to evaluate these. Our comprehensive approach involves the entirety of the domestic operations of our companies, where we evaluate our risks and potential impacts via audits. Our overseas audit activities are included in each year's risk-based internal audit plan, and take the form of process and store audits. In addition, transactions are evaluated on daily and monthly bases to inform investigations by the Internal Audit Analysis and Reporting department. The evaluations also take into account positions at the company that are more susceptible to bribery, as well as the bribery risks associated with those. Internal audit findings on bribery and corruption, high levels of risk and ethical principles are discussed in the Migros Ethics Board, which is made up of the company's Corporate Communications,

Industry Relations, Internal Audit and Sales directors. The board convenes four times every year, reporting the company's performance in matters governed by Migros' [Anti-Bribery and Anti-Corruption Policy](#) to the Migros Supreme Board of Ethics formed by relevant executive vice presidents.

Migros adheres to the code of conduct and rules of ethics laid out in the [Migros Code of Ethics](#), which is made available to all stakeholders on the company's corporate website and annual reports. We review our Anti-Bribery and Anti-Corruption Policy on an annual basis under the supervision of relevant departments, and notify any changes to our employees, suppliers, contractors and other business partners. Migros promptly investigates any suspicion of fraud, bribery or corruption connected to its activities, takes necessary legal action, and informs its stakeholders as required. We have been a member of the **Ethics & Reputation Society (TEID)** to draw on their wealth of knowledge and receive guidance and

training on issues related to ethics, anti-bribery and anti-corruption, employee misconduct and third-party risks. In 2017, TEID reviewed our Anti-Bribery and Anti-Corruption Policy and it has been found in compliance with TEID's membership statement and ethical principles. In 2019, 4 of our employees participated in the Ethics and Compliance Management Certificate program organized by TEID.

In 2019, four employees enrolled on the Ethics and Compliance Management certification course of TEID, while 39 managers received "Third-Party Ethics Compliance Risk Management" training. In

2019, Migros maintained its title as one of "Turkey's Most Ethical Companies" at the ETIKA Turkey Ethics Awards by the Ethical Values Center Association (EDMER), as a result of a comprehensive evaluation encompassing 80 criteria that includes ethical values, business ethics, reputation management, corporate governance, corporate social responsibility, compliance management, leadership, and creativity. All of the company's activities remain fully compliant with the Migros Code of Ethics and Anti-Bribery and Anti-Corruption Policy, which are embraced and upheld by the Board of Directors.

**Customers, suppliers and other stakeholders** are able to **report** suspected acts of bribery, corruption or other forms of ethics violations, as well as complaints, through the 444 10 44 Call Center or [etik@migros.com.tr](mailto:etik@migros.com.tr) e-mail address.



## COMPLIANCE WITH CORPORATE POLICIES AND CODES OF CONDUCT

Migros' "Human Resources", "Human Rights and Equal Opportunities", "Anti-Bribery and Anti-Corruption" and "Responsible Sourcing" policies are reviewed annually by relevant departments, with revisions communicated to employees via e-mail and circulars and updated versions made available to the public on the corporate website. Migros has a guidebook named the "Turuncu Magazine" for its employees, detailing all corporate policies and Migros Code of Ethics in a comprehensive and transparent manner. The guidebook is shared with employees via e-mail during orientation, and is also available on the company intranet.

Migros provides e-training courses on corporate policies for all employees to ensure that the contents and guidance of the policies are embraced and upheld across the company. All existing employees are expected to take this course once a year, while new recruits are offered the training as part of the first-month of their orientation. Employees who fail the training must retake the course. In 2019, 44,143 employees successfully completed the training,

which covers the entire range of Migros' corporate policies.

As part of Migros' activities in Kazakhstan and North Macedonia under the Ramstore brand, relevant corporate policies were translated into the official regional languages of **Kazakh, Macedonian and Russian**. These policies are shared on company websites and intranets, and communicated to employees via e-mail. The policies are also displayed on billboards inside stores to facilitate the training of store personnel.

Employee violations of the rules of ethics, anti-bribery and anti-corruption are addressed by the Human Resources Department and reported to senior management. In case such violations are committed by union-member employees, a Disciplinary Board is convened including trade union representatives as mandated by collective labor agreement provisions. Violations of Migros Code of Ethics and Anti-Bribery and Anti-Corruption policies result in the termination of the employment contract with the offending employee.

In 2019, Migros launched the "Ethical Violation Record Tracking" system, which has enabled a single point of collection,

evaluation and systematic action for all reports involving **Human Resources, Human Rights and Equal Opportunities, Anti-Bribery and Anti-Corruption and Responsible Sourcing** policy violations as well as Migros Code of Ethics breaches, regardless of whether these are reported to the company via the call center, e-mail, or the mobile app.

All individuals working at or with Migros are equally responsible for preventing bribery and corruption. **Migros employees** are able report their doubts and concerns **directly to the Migros Ethics Board via the [etikkurul@migros.com.tr](mailto:etikkurul@migros.com.tr) e-mail address**. Migros embraces an open-door policy, and provides contact information for all senior management members and department heads on the corporate website in a transparent manner.

## Our 44,143 employees completed corporate policies training.

This enables both employees and other stakeholders to contact Migros executives, including senior management, directly to report any violation of ethics. Reporting is completely anonymous. Migros is committed to protect its employees from retaliation for reporting suspected cases of misconduct or violation. Accordingly, no Migros employee may be held liable for any damages or losses incurred by the company or face any disciplinary action due to their refusal to comply with a non-ethical directive or for acting in accordance with the mandates of the Migros Code of Ethics. During 2019, Migros received



447 reports on ethics violations from all communication channels, 250 of which were made by Migros employees. Upon Disciplinary Board evaluation, disciplinary penalties were handed out, including warnings, reprimands and termination. Migros received 18 anonymous reports by whistleblowers on matters of misconduct, corruption and dishonesty, unethical behavior, neglect of duty, harassment, mobbing, and unlawful personal benefits. These reports were evaluated by the Disciplinary Board, and consequently, 6 employees were reprimanded while the other 12 were dismissed. In other reports on workplace harassment claims, one of which was made by a whistleblower, the Disciplinary Board terminated the labor contract with the 3 employees involved with the claims. Furthermore, 6 reports of mobbing were received, one of which was made by a whistleblower, and the Disciplinary Board's investigation resulted in the dismissal of 4 employees, while 2 others were reprimanded. The Disciplinary Board also investigated reports of 3 employees obtaining unlawful personal benefits from suppliers in contravention of Migros' Anti-Bribery and Anti-Corruption and Responsible Sourcing policies. 2 of the employees in question were dismissed, while the third received a warning.

## COMPLIANCE WITH HUMAN RESOURCES POLICIES

Matters relating to the implementation of and compliance to the [Human Resources Policy](#) and [Human Rights and Equal Opportunities Policy](#) are regularly monitored by the **Internal Audit Department** and reported to senior management. The department also carries out additional audits in response to complaints received or upon identifying potential areas of non-compliance, collaborating with other departments for internal inspections as necessary. Social compliance evaluations on human rights related matters encompass the entirety of the company's domestic operations, where risks and potential impacts are identified via audits. In addition, we receive opinions and feedback from internal customers via our Recruitment Evaluation Questionnaire and Working Life Evaluation Survey, which inform our efforts towards ensuring full compliance with our Human Rights and Equal Opportunities Policy.

It is the responsibility of the CHRO to ensure that Human Resources processes and employee relations are managed in line with our Human Rights and Equal Opportunities Policy. As stated in our

Human Rights and Equal Opportunities Policy, our operations in all markets, including our overseas subsidiaries in North Macedonia and Kazakhstan, are in full accord with the **UN Guiding Principles on Business and Human Rights**, as well as the **ILO Declaration on Fundamental Principles and Rights at Work**, to which we are committed to uphold despite any challenge or adversity. Human rights risk assessment is part of Migros' risk assessment process. Our policies highlight the vital importance of ensuring full compliance with human resources standards by our employees and the company at large.



In our operations in Turkey as well as in our overseas subsidiaries in North Macedonia and Kazakhstan, all human rights processes from recruitment to placement and remuneration follow a comprehensive set of task profiles. We evaluate applicants on the basis of their competence, avoiding any form of discrimination based on age, gender and disability. Accordingly, we offer entry-level remuneration at Migros stores in accordance with minimum legal wage and benefits, regardless of gender. Migros' human resources assessment system is built on the principle of equality, measuring and tracking employee competence, skills and performance using broad and objective criteria. No cases of discrimination took place in the company during the reporting period.

In 2019, we organized an online training to spread awareness among employees on basic human rights as defined in the Universal Declaration on Human Rights. The course was attended by 14,118 employees (43.66 % of all workforce), bringing the total hours of training up to 4,000 hours. The training was preceded by a test measuring overall knowledge of the topic, which was repeated after the course to track improvements. The tests revealed a 31 percent increase in employee knowledge. We aim to achieve



99 percent compliance with our Human Rights and Equal Opportunities Policy by 2021 across the entirety of our operations and our value chain. Audits carried out in 2019 revealed no human rights violations in Migros operations. There have been **no cases of child or forced labor** in our domestic operations or overseas subsidiaries. All female employees are given maternity leave after childbirth as mandated by law, as well as other benefits specified in relevant laws, regulations and labor contract provisions. Male employees are given paternity leave of 5 working days.

Regarding overseas operations, Ramstore North Macedonia and Ramstore Kazakhstan are carrying out efforts on human rights and equal opportunities in line with the directions of authorities. These include the establishment of internal control systems in Ramstore North Macedonia, which enables regular reporting to public agencies. Updates and developments are communicated to employees using the company's intranet. Employees are entitled to the full range of wages and benefits (overtime, severance, pension, etc.) mandated by the labor law and private sector collective labor agreements. During the reporting year, no incidents of discrimination, child labor or

forced labor took place in Ramstore North Macedonia and Ramstore Kazakhstan.

In 2019, overseas subsidiaries in North Macedonia and Kazakhstan added the topics of discrimination, child labor and forced labor to the assurance statements of their human rights compliance reporting. Meanwhile, statements in domestic operations reports concerning employee trainings on freedom of association and the right to collective bargaining, minimum wage and gender pay equality, human rights policies & procedures were independently verified in accordance with the international ISAE 3000 (Revised) standard.

[Independent Assurance Statement for Human Rights and Supply Chain can be shown in the Annexes.](#)

## FREEDOM OF ASSOCIATION

Since 1972, the company conducts its operations in a working environment that respects the rights of employees to unionize. Constructive dialogue between trade unions and Migros encompass topics essential to labor, such as abolishing forced labor and child labor, compliance with local rules and regulations, and impartiality and fairness. Accordingly,

any violations of human rights or ILO standards in Migros are subject to disciplinary action or punishment.

Migros and Tez-Koop Trade Union signed a collective labor agreement, which is valid between May 1, 2017 and December 31, 2019 and covered 64 of Migros employees as of signing date. **As of 2019, 75 percent of all employees are trade union members.** The collective labor agreement contains several occupational health and safety related provisions including food aid, cleaning supplies and equipment, sick leave and pay, workplace physician, examination room and medicine cabinets, illness and light work, and work clothing and equipment. The company provides various benefits to union member employees such as premiums, subsistence, holiday bonus, per diem, fuel aid and clothing aid. In addition, the company offers allowances to employees in the events of marriage, childbirth and death, as well as a once-per-year education grant for their children.



# Responsible Advertising and Marketing

GRI 103-1, 103-2, 103-3, 417, 417-2

In its advertising and marketing activities across all channels, Migros is committed to ensure full compliance with applicable rules and regulations governing the production and broadcasting of commercial. As part of our Broadcasting Policy, we do not advertise products not suitable for minors on channels or programs aimed at children under 12. In addition, all processed food commercials are accompanied by a disclaimer text provided by the Ministry of Health. During the reporting period, none of Migros' advertising, promotion and sponsorship activities were found to be in breach, and no fines were levied against the company.

