

# Anti-Corruption Policy



**Erdemir**Group

[www.erdemirgrubu.com.tr](http://www.erdemirgrubu.com.tr)

## **I. Purpose**

The purpose of this policy is to set forth Erdemir Group's anti-corruption policy and practices. This policy is an inseparable part of Erdemir Group's Code of Ethics and Business Conduct which constitutes the basis for all our business relationships and operations.

## **II. Scope**

The Anti-Corruption Policy covers "Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries" (Erdemir Group), together with all third parties acting on the Group's behalf, the board members and employees. It is essential for all individuals and organizations in this scope to act in compliance with the policy.

## **III. Anti-Corruption Policy**

Erdemir Group's Board members, employees and all third parties acting on the Group's behalf should avoid any act or behavior that may bring Erdemir Group under suspicion of corruption. Regardless of being in public or private sector, accepting or giving any cash/ non-cash benefit that may be in the scope of corruption is forbidden.

### **A. Legal Environment**

The Organization for Economic Co-operation and Development (OECD), of which Turkey is a member, ratified the 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions' and emphasized the importance of preventing any kind of corruption that may occur in business transactions. All member countries of the Organization for Economic Co-operation and Development have defined bribery to be offered / given to domestic or foreign public authorities as crime. Similar agreements emphasizing the sensitivity of this issue have also been put into practice in other international platforms like the United Nations and the Council of Europe. The Republic of Turkey has accepted to be a party to these agreements and has been implementing regulations introduced within mentioned agreements.

### **B. Definitions**

#### **i. What Is Corruption?**

Corruption is defined as the misuse of entrusted power arising from occupational position for the purpose of deriving tangible or intangible benefit either directly or indirectly. An offence of corruption may end up not only with offenders being sentenced, but also with the authorities and companies that they represent facing legal or criminal sanctions for having violated their oversight responsibilities while the offence was being committed. Bribery is one of the examples of the most frequently committed types of corruption.

Bribery is the act of deriving illicit gain for performing or not performing a task contrary to the requirements of the duty; directly or indirectly receiving a payment or benefit to affect decisions and practices. Bribery can occur in different ways such as: making payments in form of cash or non-cash, making donations, giving gifts exceeding a symbolic value, making offers to provide personal benefit, etc. Bribery is defined as a crime in the Turkish Criminal Law and the sanctions to be implemented in a case of bribery of employees of publicly traded joint stock companies are defined in the Turkish Criminal Law.

Conflict of interest; occurs when an individual or a corporation is in a position to exploit his or their own professional or official capacity in some way for personal or corporate benefit as explained in Erdemir Group Code of Ethics and Business Conduct. It is not necessary that an improper action is realized in order to talk about existence of conflict of interest. Therefore, each case of conflict of interest should not always be considered as corruption. However, individuals or organizations may become vulnerable to corruption cases by being subject to a conflict of interest. Parties of this policy documentation should take measures to manage the conflict of interest, if any, to avoid potential corruption risk.

## **ii. What Is a Facilitation Payment?**

Facilitation payments are cash or non-cash benefits provided to public authorities in order to expedite or secure the results of rightful operations and transactions (getting legal permit and license, visa application etc.) which are processed in public institutions. It is unacceptable for any individual or organization who is in the scope of this policy to be a part of such payments under no circumstances. Erdemir Group's employees cannot be held responsible for any disruptions or delays in their business processes that may occur as a result of not making facilitation payments.

## **iii. Who Is a Public Authority?**

A public authority is a permanently or temporarily assigned or elected person who participates in the process of conducting public activity. Members and candidates of political parties as well as people involved in civil society organizations are also considered in the scope of this definition.

## **C. Procurement and Sales Processes**

Procurement Processes: Procurement transactions at Erdemir Group are conducted within transparent business processes and with consideration of objective criteria.

It is essential to work with suppliers who provide added value by directly taking supply responsibility, issue their own invoices, and assume financial and legal responsibility during the procurement process of goods and services. In accordance with the decision of the Board of Directors, working with intermediary<sup>1</sup> firms or individuals is only possible in situations when the supplier sets this as a requirement and the procurement committee approves. In mandatory and exceptional circumstances, it is essential to get the main supplier involved while communicating or conducting meetings with intermediary firm or individual. During the procurement process, a second party from the group company must be involved in all meetings with suppliers conducted by the procurement department employees. Details of all other practices within the procurement process are defined in the Procurement Procedure.

Sales and Marketing Processes: Product sales and marketing processes at Erdemir Group are centrally performed.

Erdemir Group works directly with its clients. Communications with the clients are held either directly with the client's corporate authorized person or through the intermediary firms or individuals who have official representation authority.

*1 Company/individual who gives offers on behalf of one or more manufacturers or merchants, does not write invoice itself, does not take responsibility of supplying (access to goods, finance, inventory, quality assurance etc.) and is not bound by the confidentiality clause since it is not a part in the business agreement.*

## **D. Third Parties Acting On Behalf of Erdemir Group**

Compliance with legal regulations, Erdemir Group's Code of Ethics and Business Conduct as well as the Anti-Corruption Policy is sought sensitively for third parties (suppliers, customers, business partners, subcontractors, agents etc.) acting on Erdemir Group's behalf. In this respect, third parties who act on behalf of Erdemir Group cannot receive or give any benefit for the purpose of influencing a business decision improperly in any circumstances.

Commitment of third parties working with Erdemir Group to comply with the relevant legal regulations, Erdemir Group's ethics rules and anti-corruption policies is included in the business contracts and their full compliance with the contract terms is monitored.

In cases where incompliance with the policy principles and legal regulations is detected, these issues are examined at the Ethics Committee and eventually implementation and enforcement of the policy is engaged in line with the decision made.

## **E. Mergers and Acquisitions**

Prior to merging with or acquiring a company; risk of corruption, internal control environment and reputation of the candidate company is carefully examined by Erdemir Group. If necessary, these examinations are carried out by a consultancy firm with expertise in this area. Results of the examinations are evaluated by relevant decision making bodies.

A mutual agreement with the company to be merged with is reached with a common approach that all domestic and foreign activities and operations are to be compliant with the international law rules the Republic of Turkey is also a party of and Erdemir Group's Anti-Corruption Policy.

## **F. Recruitment Process**

During the recruitment process of key positions, beyond the current human resources procedures, the candidate's extensive resume and reference checks are carried out with the knowledge and approval of the candidate.

## **G. Donation and Sponsorships**

Erdemir Group does not support illegal activities, projects which promote any kind of discrimination in the society, organizations with political/religious/ethnic content and events encouraging harmful habits.

All kinds of in-kind and in-cash donation requests, corporate social responsibility proposals and requests for Erdemir Group are submitted to the Head of Corporate Affairs. Corporate Affairs Department submits these requests to the Chairman of the Board of Directors together with its opinion as to the mentioned requests` compliance with Erdemir Group's principles and strategies and on the traceability of the request.

All corporate support and sponsorship requests from Erdemir Group companies are also submitted to the Corporate Affairs function. After being objectively examined, favorably evaluated requests are submitted to the approval of the Chairman of the Board of Directors. In accordance with the company's principles; no sponsorship relation is adopted with any kind of entity except sectorial association/union/committee which

would support the sales of products and improve relationships with customers.

All donation and sponsorships provided by Erdemir Group are recorded and reported to the public.

Details of donation and sponsorship practices are included in Erdemir Group's Procedure of Corporate Affairs.

## **H. Accuracy of Records**

Erdemir Group is responsible for completely, accurately, transparently and correctly recording and retaining any kind of account, invoice and document in accordance with the existing regulations. Distortion of any accounting or other business records of a transaction and documents with respect to that transaction cannot be done. Accuracy of records is secured by the internal control environment, risk assessments, control activities, reporting and monitoring practices of Erdemir Group. Erdemir Group's financial statements are regularly audited by internationally known external audit firms.

## **I. Trainings**

Grup çalışanlarının etik kurallar ve yolsuzlukla mücadele konuları hakkında farkındalık ve yetkinliğinin artırılmasına yönelik yüz yüze eğitimler ve e-öğrenme uygulamaları İnsan Kaynakları birimlerinin desteğiyle geliştirilerek düzenli olarak uygulanır. Eğitim programlarının tasarımı ve uygulamasında, süreçlerdeki risk düzeyleri gözetilir ve ihtiyaçlara göre fonksiyona özel eğitim programları oluşturulur.

## **J. Risk Assessments, Internal Controls and Audit**

Effective internal controls are established within the business processes at Erdemir Group in order to prevent potential corruption risks. In this context;

- Compliance with corporate policies, procedures, guidelines and standards is achieved,
- Full compliance with the Limits of Authority Guidance, where transaction authorizations are defined, is sought within processes of procurement, sales, marketing, financial affairs, human resources and corporate affairs,
- User authorities in SAP ERP system, where accounting and procurement processes conducted, are managed by the GRC system and compliance with the segregation of duties principle is sought,
- Within the scope of enterprise risk management processes, corruption risks are also assessed and continuously monitored. Work within this context is periodically reported to Early Detection of Risk Committee which is composed of independent board members,
- Business objectives are set reasonably and then broken down to individual goals in order to prevent occurrence of a corruption environment,
- Effectiveness of risk management, internal control and governance processes in Group companies are evaluated through audits carried out by the internal audit function. Potential corruption risks within the related processes are also considered during these audits. At least once a year and upon request, the Audit Committee, which is composed of independent board members, is informed about internal control environment, review and investigation activities with respect to corruption risks.

## **K. Reporting of Violations**

In order to develop and sustain the anti-corruption and ethics compliance system at Erdemir Group, communication channels (e-mail, mail and ethics hotline) exist where stakeholders can report potential misconduct or get information from. Access to these communication channels is limited to the Head of Internal Audit, who directly reports to the Chairman of the Board of Directors.

Any observed or suspected potential violation relating to Erdemir Group employees and third parties acting Erdemir Group's behalf, has to be promptly reported either anonymously or with informer's identity disclosed through ethics communication channels. The identity of the informer is kept confidential and reported issues are examined in line with the rules of confidentiality.

You can use the communication channels listed below for all your questions and notifications.

E-mail : etik@erdemiretik.com

Phone : 0 850 211 3000

MAil : Istanbul headquarters address which can be found on our company's website, specifically indicating "To the Attention of the Ethics Committee"

## **L. Resolution of Violations**

Ethics Committee is the responsible authority for assessing violations of Erdemir Group's Anti-Corruption Policy and implementing disciplinary action when deemed necessary. Ethics Committee consists of the Chairman and the Managing Director, top managers of Group Human Resources and Group Legal Departments. Head of Internal Audit acts as the secretary of the Ethics Committee. Ethics Committee implements processes within the scope of ethical compliance system for the conduct of the Anti-Corruption Policy.

## **M. Enforcement and Review**

This policy has been published upon the approval of Chairman and the Managing Director and is reviewed once a year in line with current practices.