

Sustainable Growth with Our Suppliers

The basis of our sustainability approach is to procure products and services from companies that respect people and the environment. We monitor our environmental and social impacts originating from the supply chain and work with our suppliers within the framework of globally accepted principles and measures to reduce these negative impacts. In this context, we raise the awareness and consciousness of our suppliers on human rights, ethical principles, occupational health and safety, quality standards and environmentally friendly production methods, and we develop solutions together in this direction.



You may find the number of our suppliers, by year, in the **'Appendix'** section of our report.



EXPECTED RESPONSIBILITIES FROM OUR SUPPLIERS

Our working standards, which we expect our suppliers to comply with and which include human rights, environment, occupational health and safety, and quality standards and code of ethics, are set forth in detail under our Policies on **Responsible Sourcing, Anti-Bribery and Anti-Corruption, and Human Rights and Equal Opportunities**, as well as the **Code of Ethics of Migros**. We present our relevant policies to our newly hired employees every year, through online training, and to our suppliers through B2B applications called MeCom and MeMobil. Furthermore, via this platform, our suppliers were informed, within the scope of the Covid-19 pandemic, in terms of protecting health of employees and society.

In all the contracts we form with our suppliers, within the scope of our activities in Turkey, we have a **Code of Ethics** containing the prevention of bribery and corruption, human rights and labor standards, occupational health and safety, and environmental protection issues. All our **suppliers are required to pledge to comply with these rules throughout the contract**. Within the scope of the contract, we clearly and unequivocally reject discrimination based on religion, language, race, gender, use of verbal, physical and sexual violence, and forced or child labor to the employees of our suppliers, and demand that our suppliers respect and support their employees' right to freedom of association and collective bargaining. In addition to these, we expect the suppliers we work with to make a commitment not to be involved in corruption and bribery.

Through **regular evaluation surveys and site visits**, we monitor our suppliers during the time we work together, in terms of working conditions, safety and fairness of working environment in relation to wages offered, and health and safety measures taken. Furthermore, we monitor and report our annual targets via supply chain risk assessment. During our operations* in Kazakhstan and North Macedonia, our Responsible Sourcing, Anti-Bribery and Anti-Corruption, Human Rights and Equal Opportunity policies were being translated into Russian, Kazakh and Macedonian on the corporate websites of Ramstores, our brand in these regions. Thus, the policies were easily accessible for both employees and suppliers.

In 2020, we had not terminated our contracts with any of our suppliers due to non-compliance with our Anti-Bribery and Corruption and Human Rights and Equal Opportunity policies, or due to production violating our Responsible Sourcing Policy and legal regulations.

**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.*



OUR SUPPLIER SELECTION PROCESS AND AUDITS

Accompanied by **independent external audit organizations**, we conduct **regular audits** on our suppliers, regarding their compliance with all Migros corporate policies, especially Responsible Sourcing, and international food safety, ethical, social and environmental labor standards. The results obtained as a result of these audits are reported to the Chief Marketing Officer and Chief Supply Chain & Logistics Officer the individuals who have senior management level responsibility regarding supply chain working standards.

Within the scope of audits related to work standards, compliance on topics including child labor, forced and compulsory labor, working hours, the right to form a union and collective bargaining, wages and fees, discrimination and discipline practices, working conditions of pregnant and nursing mothers, physical and psychological pressure on employees, maternity leave, breastfeeding leave and annual leave with

the relevant laws is evaluated. We implement our inspections on food-related issues, in accordance with the international standards recognized by the **Food Safety Initiative (GFSI)**, which determines the food safety criteria in the world.

We give our suppliers and candidate suppliers a certain time to rectify the nonconformities identified during audits, and then we perform follow-up audits. We grant a **maximum of 3 follow-up inspections** to our suppliers whose inspections are not successful. If the expected success is not achieved after these audits, we terminate the commercial relationship based on the evaluation made.

We implement a rigorous inspection program at our suppliers' facilities, **questioning 301 criteria**. We carry out compliance audits within the framework of two international standards, the "**IFS International Product Safety Standard**" on the first day and the "**GC-Ethical Compliance**" on the second day. We aim to

audit our suppliers every year. For the Product Safety audit, suppliers who have FSSC, BRC or IFS certificates are excluded from the audit scope, and for the GC Ethical compliance audit, suppliers who have BSCI, Smeta Sedex, WCA (Workplace Condition Assessment) or SA8000 certificates, or who employ less than 10 employees, are excluded from the audit scope.



PRODUCT SAFETY AUDIT

Our suppliers that successfully pass our first-day audit that we carry out in accordance with the "IFS Global Market" audit checklist are listed in the IFS (International Featured Standards) portal, and their level of achievement is announced to the world.



ETHICAL AUDIT

In the second-day audit, the impact of the suppliers on people and environment, and their sensitivity to ethical and social issues throughout their operations are audited. Accordingly, the practices of the suppliers are checked in accordance with the GC-Ethical Compliance audit, which includes the SA 8000 standard and the SEDEX criteria.



ENVIRONMENTAL AUDIT

We also evaluate our suppliers in terms of environmental issues such as water consumption and waste management as part of SEDEX audits. Suppliers who successfully pass these audits, which play an important role in sustainability studies, are entitled to receive the GC-Ethical Compliance certificate.



UPDATES MADE DUE TO THE PANDEMIC

The Covid-19 pandemic, which impacted the entire world, not only affected daily living standards, but also affected the course of all audits. As the Covid-19 cases started to be seen in our country, we halted on-site inspections and decided to postpone them for a while, in order to ensure the health of our suppliers and auditors. We took quick action in line with our supplier audit practices and added new questions to the audit questions list, in relation to the Covid-19 pandemic. We established the necessary communication infrastructure within the scope of remote audits, and provided training to auditors on the management of the process. As a result, we started to **manage our supplier audits remotely, simultaneously with the world.**

SELECTION AND AUDIT OF NEW SUPPLIERS

Firstly, we make efforts to cooperate with suppliers who share our sensitivity on **human rights, ethical principles, occupational health and safety, quality standards and environmental awareness**. In this context, we conduct a detailed review of our business partners to identify financial, legal and ethical risks and opportunities, before deciding on working together. Furthermore, we investigate the commercial registries of the relevant companies through official institutions, and their trading history in terms of bribery, corruption and ethics through digital platforms. Our candidate suppliers are subjected to pre-audits in line with the quality control criteria and question lists applied in current supplier audits. We determine the working decision according to the results of these audits, and we start working with companies that have successfully passed **both product safety and ethical, social and environmental compliance audits** and attained supplier status.



AUDITS FOR OUR SUPPLIERS

Within the scope of our audit activities, primarily, our suppliers who make up 80% of our turnover are audited. Additionally, all our candidate suppliers are included in the audit process, and we do not work with candidate suppliers who do not pass these audits. In 2020, 50% of our primary suppliers, from whom we supply the products that make up **80% of our total turnover**, were audited by an **accredited independent external audit firm**. Together with the audits we carried out with our suppliers who are not within this category, a total of 621 audits were carried out in 2020. At the same time, before putting the products of our suppliers, which are mostly importer companies, to sale in our stores, we checked compliance of the products, based on the legal regulations. The results of the audits we conducted this year are included in the **Supplier Audit Results for 2020** table.

The rate of supplier companies that received 75 or more points from **IFS Food Safety audits** and passed the audit was **83.16%**, and the rate of supplier companies that passed **GC Ethics and Social Compliance** audits was **78.14%**.

In the ethical and social compliance audits we had conducted for a total of 279 suppliers, important non-compliances were detected in 18 suppliers and follow-up audits were carried out. 32.2% of nonconformity cases were about occupational health and safety, 18.5% were about environmental requirements, 10.6% were about working conditions, 9.5% were about documentation requirements, 8.2% were about resource management, 5% were about legal and

other requirements, 4.6% were about planning, 2.9% were about management review, 2.8% were about discrimination, 2.6% were about social responsibility policy, 1.5% were about responsibility, authority and communication, 1.1% were about forced labor and child labor, and 0.5% were about management responsibility.

In 2020, 96 product safety audits were conducted on 75 candidate suppliers, and **56** candidate suppliers successfully completed the audits. In addition, we conducted 56 ethical, social and environmental compliance audits for **49 candidate suppliers** in line with **GC Ethics and Social Compliance criteria**, and we decided to work with **39 suppliers** who successfully completed the process.

In the reporting period for 2020, no supplier that violated the rights of association or collective bargaining or might be exposed to significant risks was observed, during the supplier audits. In the reporting period of 2020, 1 case of employing young workers was detected, during the audits of supplier companies in our domestic operations. The supplier company was requested to act on this matter. Furthermore, these audits identified 38 inappropriate cases related to the use of the right to maternity leave, breastfeeding leave and annual paid leave, which may fall within the scope of forced labor. The supplier company was requested to act on this issue. Within the scope of our supply chain, we have not received any negative feedback from non-governmental organizations or other external organizations during the reporting year.

Suppliers approved by Migros are evaluated within three categories – “Gold-Gold”, “Silver-Silver” and “Bronze-Bronze” – according to their success rates from the audits, and they get the opportunity to announce their success on the **GC Portal**.

In 2020, 57.7% of our suppliers who have been audited were successful in both audits and were awarded the “GC Migros Approved Supplier certificate.

Arranged for our suppliers in accordance with our Responsible Sourcing Policy, the 2020 declarations of our ethical and social audits which involve the discrimination, freedom of association, right to collective bargaining, child labor, forced and forced labor criteria were subjected to independent external audit, and verified in compliance with the international **ISAE 3000 (Revised) standard**.

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





SUPPLIERS AUDIT RESULT FOR 2020

TYPE OF AUDIT	TYPE OF SUPPLIER	NUMBER OF SUPPLIERS AUDITED	NUMBER OF AUDITS	SUCCESS RATE**	AVERAGE SCORE	NUMBER OF SUPPLIERS SUBJECTED TO FOLLOW-UP AUDIT	NUMBER OF FOLLOW-UP AUDITS	SUCCESS RATE OF FOLLOW-UP AUDIT*
Product Safety - IFS Global Market	Total Number of Audited* Suppliers	285	324	83.16%	82,98%	41	47	89.66%
	Candidate Suppliers	75	96	74.6% (56 suppliers)	78,21%			
Ethical and Social Compliance, Environment, Occupational Health and Safety - GC	Total Number of Audited* Suppliers	279	297	78.14%	86,40%	18	19	58.82%
	Candidate Suppliers	49	56	79.5% (39 suppliers)	82,93%			

* The total number of suppliers audited includes current suppliers audited, candidate suppliers and suppliers undergoing follow-up audits.

** Suppliers scoring 75 and above are considered successful.

