

MiGROS

Sustainability Report
2016



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Ö. Özgür Tort
CEO

“With the responsibility brought by our 63-year old history and being a pioneering retail company in Turkey, we consider sustainability as a guide for showing us the way forward in all our activities.”

Dear Stakeholders,
Migros is among the pioneering companies that publish its performance on sustainability in the Turkish retail sector with the public.

Doing so

- We became the first and only retail company in the Borsa Istanbul Sustainability Index three years in a row;
- We became one of the CDP Turkey Climate Leaders with last year's response for combatting climate change;
- We were listed in the FTSE4Good's Emerging Markets Index.

This year we took one more step forward by preparing our 2016 Sustainability Report using the internationally recognized GRI Sustainability Reporting Standards.

With the responsibility brought by our 63-year old history and being a pioneering retail company in Turkey, we consider sustainability as a guide for showing us the way forward in all our activities. We consider sustainability and efficiency as two terms that complete each other towards the same goal. We are shaping our activities with the sense of responsibility we have towards people, nature and next generations. By setting responsible and sustainable goals for the future, we are making our operations more efficient and we contribute to our "sustainable development" strategies.

Migros is not just a brand. We are living and improving constantly together with our employees, customers, society, suppliers and producers. We take each step by

considering our responsibilities and mutual trust towards our stakeholders. Our growth targets include all our stakeholders. For this reason, it is important for us that the qualitative and quantitative goals that we determine are creating value not only for us, but for all of our stakeholders.

Moreover, Migros is a member of the Consumer Goods Forum (CGF), a guiding organization for fast-moving consumer goods and the retail sector about social and environmental sustainability, health and product. I'm also on its Board of Directors. So, we sign and follow the development commitments we have made, in order to internalize sustainability in our industry and to shape the activities in this direction. Having this point of view, we are handling sustainability in a multi-

faceted way. In addition to our efforts about preventing climate change, reducing food waste, waste management, efficient use of energy and natural resources; we also focus on community health and development with our "Good Living" approach.

Responsible Management and Economic Sustainability: We set goals for sustainable growth and efficiency, and make sure these targets create value for all our stakeholders and become a driving force in social development.

Environmental Sustainability: We take responsibility to minimize the environmental effects from our operations and carry on our activities with that perspective.

Responsible Procurement: We expect all of our suppliers, third party organizations and partners to work in line with our product safety and quality standards as well as ethical codes.

Product Safety and Quality: We perform the necessary checks and inspections to ensure that all products we offer to our customers are in accordance with the Migros

quality from production to their presentation to our customers in our stores. We aim to increase the variety of products that promote 'Good Living' in our private label products.

Responsible Human Resources Management: We work to ensure that our employees have a safe and good working environment and that they have equal education and career opportunities. As part of our 'Good Living' approach, we run programs for our employees.

Corporate Social Responsibility: We determine the areas of improvement for the development of our society and we carry out projects with our organizational structure and voluntary contributions of our employees. Under the 'Good Living' framework for community health, we undertake studies that emphasize the importance of balanced nutrition and physical activity.

Our 2021 Goals are:

- To reduce electricity consumption per square meter of daily sales area by 11.5 % (compared to 2013)

Our 2025 Goal is:

- To reduce carbon emissions per square meter of daily sales area by 11.5 % (compared to 2013)
- To reduce annual water consumption per employee by 5 % (compared to 2016)

With this report we wanted to share our efforts and practices in 2016 related to environmental, social and economic sustainability in an open, informative and transparent language. As Migros we would like to thank you for sharing our excitement and for following our activities.

ABOUT THE REPORT



Since 1954, Migros Ticaret A.Ş. has been continuing its activities in line with the principles of transparency and accountability while improving itself continuously. In this Sustainability Report for the 2016 financial year, Migros reports its sustainability performance and reveals its future targets. The report aims to provide transparent information on material issues for internal and external stakeholders.

The report, which is prepared for the attention of all stakeholders, including its customers, employees, shareholders and investors, suppliers and co-operative organizations / individuals, governmental institutions and legislators, describes the performance of Migros on its economic, social and environmental impact.

This report has been prepared in accordance with the GRI Standards:

Core option. The indicators included in the scope of the report can be found in the GRI Index at the end of the report.

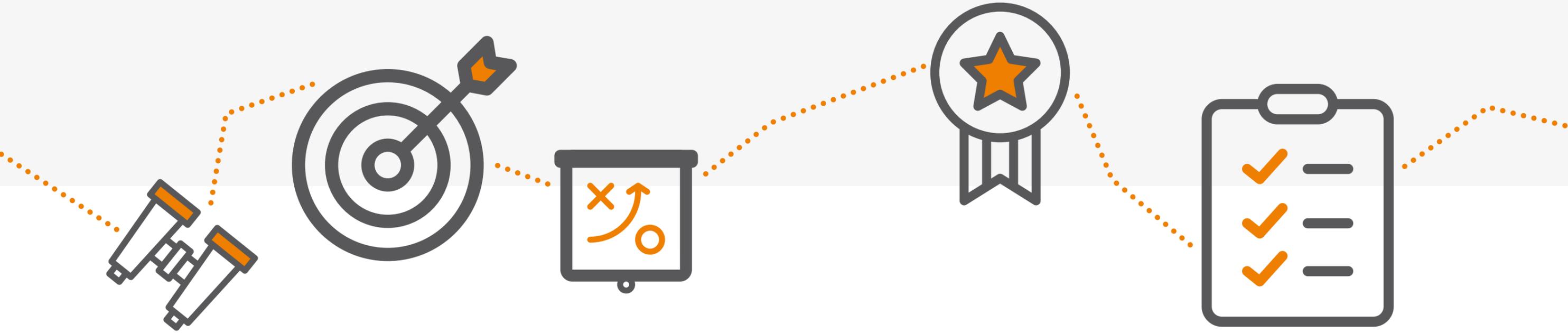
The terms "Migros" and "Company" refers to Migros Ticaret A.Ş. throughout the report. Data used in this report which is collected in accordance with the company's long term sustainability goals, are from Migros operations in Turkey from 1st January 2016 to 31st December 2016. This scope makes up approximately 95 % of Migros' global activity. All the numbers related to the company are for the 2016 calendar year period. In addition, some of the numbers are prepared with a three-year scale in order to facilitate analysis, make comparison and show the related trends.

After a rigorous working period, the material topics, which form the framework of the Sustainability

Report, were determined with the help of interviews held during the reporting period. Prioritization of the topics inside the report are determined by the results of the materiality analysis.

All the information inside the Report is reliable, accountable and available on our internal systems as well. Work related to the collection and development of the information in this report has been carried out by the working groups affiliated to the Sustainability Committee and the information contained in the report was not subject to an external audit.

Migros is committed to reporting on its sustainability performance annually and is committed to improving its performance every year. You can send any feedback in order to increase the performance of reporting to the surdurulebilirlik@migros.com.tr e-mail address.



Our Vision

To be an organized retailer who remains the closest to customers by serving them in a variety of formats through a strategy of pursuing expansion both in its own and in neighboring markets and always exceeding customer expectations.

Our Mission

To play a leading role in improving the quality of life at home and abroad with a business structure that is as innovative and productive as it is customer-focused, trusted, and mindful of people, the community, and the environment; to generate long-term, satisfying returns for its employees, business partners, and shareholders; to maintain its sectoral leadership in growth and operational profitability.

Our Strategies

Migros defines its strategies in line with its mission and so as to achieve sustainable quality, respect, and sectoral leadership through an approach to customer satisfaction that rises the bar of retailing standards in the countries in which it operates. Migros' most fundamental strategy is to provide its customers with a modern, reliable, economic, and high-quality service.

Values

Corporate values that are formed by the participation of all employees of Migros and bind all employees;

- Customer Orientation
- Reliability
- Sensitivity
- Leadership
- Efficiency
- Innovation

Our Principles

Believing in the importance of having a strong corporate governance structure, Migros considers corporate governance principles its guide during every stage of its activities. Annual Corporate Governance Principles Compliance Report is published to inform stakeholders. Detailed information regarding the company is shared with stakeholders in the corporate website which is updated daily (www.migroskurumsal.com).

Migros adopts all four basic tenets of corporate governance:

- Fairness
- Transparency
- Responsibility
- Accountability

HIGHLIGHTS IN 2016

Migros was chosen as **"The Most Admired Company of Retail Sector"** for 13 times in a row.

9.50
(95.01%)

9.46
(94.55%)

On 4 January 2016, Migros' publicly traded shares were included on the Borsa İstanbul Corporate Governance Index. Taking into account improvements made by the company during the year, SAHA Corporate Governance and Credit Rating Company increased Migros' corporate governance rating from 94.55% to 95.01% as of 30 December 2016.



Migros became the first and only retailer in Turkey to be included in the BIST Sustainability Index for three years in a row. In order to qualify for inclusion in this index, companies are rated on their approaches to issues such as global warming, biodiversity, efficient use of natural resources, water scarcity, occupational health and safety, employment, supply chain, corporate governance, and health and wellness as well as their commitment to the principle of transparency.



Migros was chosen a "Lovemark" for the 9th time in a row in the "Supermarket" category in the survey of "Turkey's Lovemarks".



Migros was listed on FTSE4Good's Emerging Markets Sustainability Index which was announced for the first time in 2016.



In the "Voice of the Customer in Turkey" survey conducted jointly by KalDer and Ipsos, Migros was chosen as the Supermarket Brand with the Highest Level of Customer Loyalty.

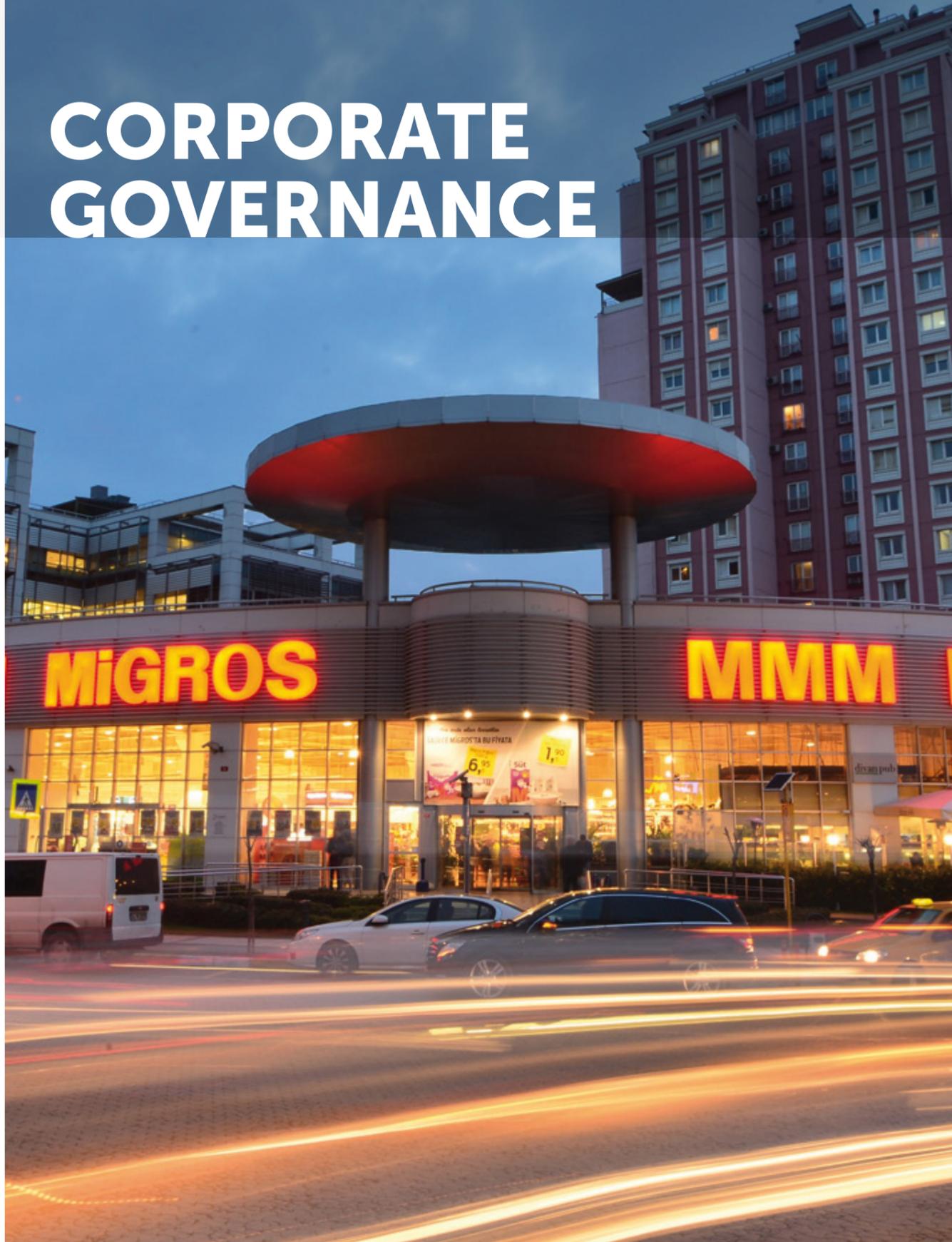


Migros received "The Most Admired Company of Retail Sector" award for the 13th time in a row in the survey of "Turkey's Most Admired Companies". In the same survey, Migros was listed among the top 20 in the "Most Admired Companies" list, which is sector independent.

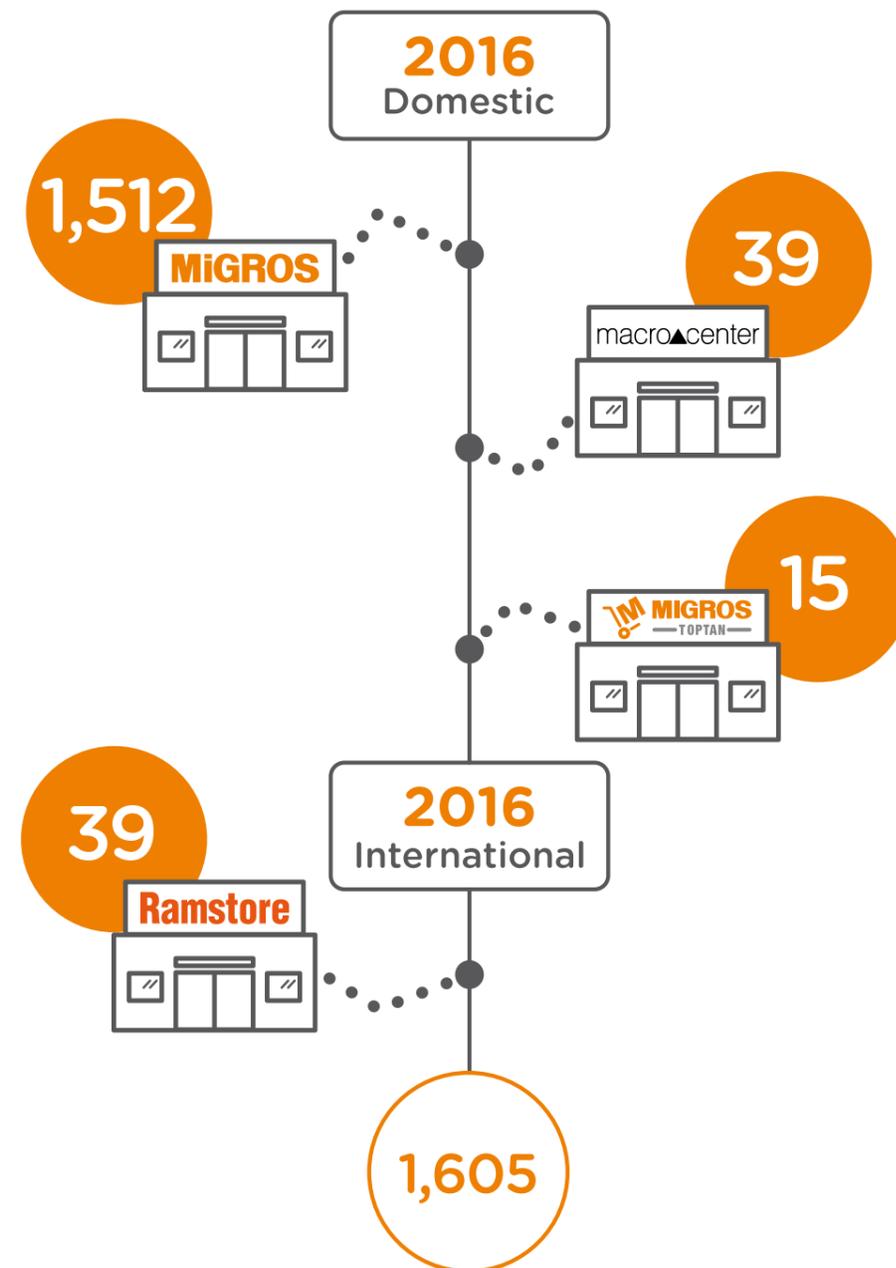


Migros received the "CDP Turkey Climate Leaders" award, which was bestowed by the CDP (Carbon Disclosure Project), the most highly-respected international initiative in greenhouse gas emissions reporting, due to the company's plans and efforts combatting climate change.

CORPORATE GOVERNANCE



Migros reaches consumers with its **1,605 store**.



Migros has stores in **73 provinces** of Turkey.

Shareholder Structure

Name	Share (%)	Share Amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Moonlight Capital S.A.	15.37	27,371,000
Kenan Investments S.A.	15.13	26,937,336
Other	19.49	34,706,664
Total	100.00	178,030,000



Up-to-date Acquisitions



The emphasis that Migros puts on freshness was visible once again in 2016 when the company acquired Tazedirekt, an online retailer brand that specializes in natural foods. Migros intends to continue the operations of Tazedirekt as it is by maintaining its stance as a purveyor of natural and local sourced foods. Supported by Migros' operational strength and its 20 years of experience in e-commerce, Tazedirekt began serving customers in 2017 with a separate operational management after the new infrastructure is in place.

In line with Migros' long-term growth strategies, on 10 June 2016 Migros signed a share transfer agreement with Tesco Overseas Investments Limited to purchase shares representing approximately 95.50% of the capital of Tesco Kipa. In this concept, the Turkish Competition Authority granted its approval of the sale on 09 February 2017. Thereupon after the terms of the share purchase agreement had been duly fulfilled, action was taken as required and ownership of the shares was transferred on 1 March 2017.



In 2016, Migros opened 232 new stores and exceeded its goal of number of new stores annually, raising the number of provinces with stores to 73 in Turkey. In the reporting period, apart from these developments, there has been no major change in the size, structure, ownership or supply chain of the company. In 2016, the company has not been notified of a violation of the legislation on anti-competition or monopolization.

Migros' corporate governance **rating was upgraded to 95.01%**

Board of Directors Structure

Migros' Board of Directors, the company's top level strategic decision maker and controlling body, are elected to serve for a limited period of time in the General Assembly. Migros Board of Directors evaluates all risks and opportunities, particularly economic, financial, social, environmental, governance, operational and legal risks and opportunities. In this context, defines the strategic objectives of the company considering legal requirements and regulations, articles of incorporation,

corporate policies and guidelines. The Board is responsible, in accordance with the corporate governance principles, for the company's risk and return balance, while taking into consideration the growth and the interests of the company.

Migros' Board of Directors consists of twelve people; of whom all are non-executive members besides the CEO. Migros has four independent members as defined by Capital Markets Board (CMB)

principles. Both the roles of the CEO and Chairman of the BoD are carried out by different individuals who are representatives of Migros. Detailed information about Board of Directors can be found in the "Investor Relations" section of Migros' corporate website.

To increase the operating efficiency of the Board of Directors; the Corporate Governance Committee, Audit Committee and Early Detection of Risk Committee have been established.

Corporate Governance Rating

Headings	Weight (%)	Assigned Score (%)
Shareholders	25	95.45
Public Disclosure and Transparency	25	97.56
Stakeholders	15	99.51
Board of Directors	35	90.95
Average	100	95.01

In the report issued by an independent Rating Agency, the Company's corporate governance rating was upgraded to 95.01% as

of 30 December 2016, in view of the improvements carried out by Migros during the reporting period. According to the World Corporate

Governance Index (WCGI) published on July 1, 2016, Migros is in the first group.

Corporate Governance Committee

The Corporate Governance Committee, which is comprised of three non-executive members, the Investor Relations Group Manager, and an independent member undertaking the committee chairman position, determines the level of compliance with corporate governance principles and oversees the Investor Relations Department activities. The Committee also fulfils the duties of the nomination and remuneration committees to the extent allowed by CMB principles. Detailed information about the remuneration of board members and managers with executive responsibilities can be found in the [Corporate Governance Principles Compliance Report](#).

Audit Committee

The Audit Committee is responsible for oversight of the accounting system and financial reports disclosed to the public. In addition to these responsibilities, the committee is responsible for overseeing the effectiveness of internal controls and the internal audit systems. The committee consists of two independent and non-executive members of the Board, one being the Chairman of the Audit Committee.

Early Detection of Risk Committee

The responsibility of the committee is to identify and detect the risks that could jeopardize the company's existence and continuity at an early stage. In 2016, the committee carried out its duty with six members consisting of five independent non-executive members of the Board and CFO who is not a member of the Board. An independent board member assumes the Committee Chairman position. The Early Detection of Risk Committee holds at least 6 meetings per year and examines the current risks.

RISK MANAGEMENT AND INTERNAL CONTROL



Adherence to the laws and principles of corporate governance is of great importance to Migros as it forms the basis for its understanding of corporate responsibility. Elimination of any irregularity or risk by the company's internal control system is very important for Migros in order to be able to undertake this responsibility. The Migros Internal Control System defines the functional and operational risks associated with the functional and financial performance of the processes and the units. The results are analyzed independently and presented to the company's management. The Corporate Risk Management Unit conducts its activities by engaging with the CFO and the Early Detection of Risk

Committee.

Migros' Internal Audit Department investigates and examines the activities and transactions, by consistently conducting internal audits, throughout the year. In case of any irregularities, detailed investigations are conducted in order to ensure due precautions are taken and to create recommendations on the precautions to be taken to eliminate the irregularities that may occur in the future. The Internal Audit Department reports directly to the CEO.

Migros conducts an annual evaluation process with a team of departments within the company that are connected to the

Sustainability Committee to identify risks and opportunities related to climate change. Migros identifies the risks posed by legislative changes and changes in physical climate parameters, as well as other parameters related with climate change (changes in consumer behavior and company image) and tracks and reports the details and financial results of these risks. For example; it is foreseen that the effects of events such as increase in flooding and snowfall due to changing precipitation patterns caused by climate change may result in a total loss of approximately TL 510 thousand over the next 5 years. As a precaution, the stores are insured against possible floods and other natural disasters.

BUSINESS ETHICS, ANTI-BRIBERY AND ANTI-CORRUPTION

Business activities of Migros are carried out in accordance with its [Code of Ethics](#), [Anti-Bribery and Anti-Corruption Policy](#) and with the support, where needed, from its Board of Directors. Migros Code of Ethics, established in accordance with the Ethics Association's independent opinions, has been published on the company's corporate website and in the annual reports in order to be available to all its stakeholders.

Migros annually reviews its Anti-Bribery and Anti-Corruption Policies and shares them with all its employees, and business

partners especially suppliers and contractors.

The policy was last updated in 2016 and published on the Migros corporate website.

When Migros is suspicious of fraud, bribery or corruption in its operations, the matter is immediately investigated and clarified, the necessary legal process is followed, and stakeholders are informed if necessary.

Migros is a member of the Ethic and Reputation Society of Turkey (TEİD). Migros' bribery and anti-corruption policy has been reviewed in line with TEİD's membership declaration and ethical principles.



TEİD has memberships in the B20 Anti-Corruption Network the B20 Turkey Anti-Corruption Task Force and Working Group, TRACE International Turkey representative, Global Ethics Network Regional Representative, European Business Ethics Network member, Basel Institute on Governance working group and OECD Anti-Corruption Working Group and on a regional advisory board. Migros became a member of TEİD in order to benefit from its knowledge in this area.

Awareness Activities Towards Employees

All Migros employees are informed about the principles of business ethics when they start their employment with Migros. The Anti-Bribery and Anti-Corruption Policy was made available as an e-learning source to all of Migros employees in 2016. A total of 18,440 employees, 546 working in headquarters and the rest in stores, have completed the training, corresponding to 84 % of all employees that are responsible for completion of the training.

Migros has a guide booklet called Orange Book, which reveals "Human Resources", "Human Rights and Equal Opportunity" and "Anti-Bribery and Anti-Corruption" policies transparently and in detail.

Orange Book is shared with all employees and also sent to new joiners and it is also uploaded to the frequently used section on the company intranet. It is also shared with the Ramstore employees operating in Macedonia and Kazakhstan with local language options such as Macedonian, Kazakh and Russian by e-mail and it is also uploaded to the relevant intranet pages.



546

employees from HQ



17,894

employees from stores

got corporate policies e-training

Responsibilities of Employees

Employees' violations of Migros' Code of Ethics and Anti-Bribery and Anti-Corruption Policy are dealt with by the Human Resources Department and reported to Migros Management. In case violations of these policies are by employees who are union members, the Disciplinary Committee is summoned with the participation of union representatives in accordance with the Collective Labor Agreement. Violations of Migros' Code of Ethics and Anti-bribery and Anti-corruption policies result in the termination of the employee's employment contract.

In 2016, an investigation was conducted following the notification that a warehouse employee had received goods without registering them, which is incompatible with the Anti-Bribery and Anti-Corruption and Responsible Sourcing policies and after the investigation had concluded, the Disciplinary Board decided to terminate the employee's employment contract.

Every Migros employee and every supplier and third party organization are responsible for helping to prevent corruption and bribery. Any queries or concerns can be communicated via the e-mail address of the Ethics Committee

etikkurul@migros.com.tr. In case of any violation of Migros' Code of Ethics, thanks to the company's open-door policy, its employees and other stakeholders can directly contact Migros administrators including the senior management through the communication channels of the company. Potential violations can be reported by employees anonymously. The company adopts the policy in which employees who report malpractice are not discriminated against.

Therefore, its employees can't be held responsible for company loss by refusing to behave unethically or behaving in accordance with Migros Codes of Ethics; these situations cannot lead to sanctions.

Customers, suppliers and other stakeholders may report complaints or potential incidents of bribery, corruption or other ethical issues regarding Migros employees via the **Call Center** or by e-mail **etik@migros.com**. A total of 5 notifications related to non-compliance with the code of ethics were received via these channels in 2016, including one regarding the supply chain. The potential incidents were all resolved after the necessary assessments.

Practices for Suppliers and Business Partners

Migros Anti-Bribery and Anti-Corruption Policy also covers third-party companies and suppliers that Migros works with.

Before working with any supplier, the firms' commercial history as well as any incidents of bribery or corruption are investigated through official organizations on the internet.

Supplier candidates are subject to pre-qualification via quality control criteria and questionnaires used in current supplier audits, and the decision to work with



a supplier is taken according to the results of these inspections. As part of the preliminary audit, consideration is given to whether the social responsibility principles of ISO 26000 are followed or not,

and in this context, the issues of accountability, ethical behavior, respect for the rules of law, respect for international norms and respect for human rights are evaluated.

Bribery and Corruption Risk Assessment

Corruption and bribery issues are examined as part of a risk-based system of internal control through the risk management system of Migros. The relevant assessment covers 100% of Migros' operations in Turkey. These risks and potential impacts are subject to assessment during auditing. Any internal audit findings relating to corruption and bribery, or any issues related to ethical principles, would be assessed by the Migros Ethics Committee, which meets on a quarterly basis with the participation of company executives. In the event a high risk is identified, it is evaluated by the Migros Ethics Committee, which is composed of senior management. In addition, corruption risks of employees with high-risk jobs in terms of bribery are evaluated.

Migros' Audit Committee and Ethics Committee report to the senior management about the company's Anti-Bribery and Anti-Corruption Policy.

Migros received the Most Ethical Companies of Turkey award given by EDMER (Centre of Ethical

Values Association) in ETİKA (Turkey Ethics Awards) in 2014, 2015 and 2016.



MEMBERSHIP AND INITIATIVES

Migros' voluntary memberships and supported initiatives are shown below.



Migros is a member of Consumer Goods Forum which has been shaping the fast moving consumer goods and retail industry world with commitments on social and environmental sustainability, health and wellness, and product safety since 2010. Migros CEO is on the CGF Board of Directors and is the supporter of CGF's sustainability

commitments. CGF reports the annual activities of all members publicly. Migros' commitment and solution proposals are developed in line with CGF resolutions and are presented in the table below together with subject matter, target completion date, commitment and current status.

Consumer Goods Forum (CGF) Commitment and Resolutions

Subject	Target Completion Date	Commitment	Current Status
Health & Wellness	2016	To make company policies public on nutrition and product formulation;	Completed. Health and Nutrient Policy
	2016	To implement employee health and wellness programmes	Completed
	2018	Industry-wide implementation of consistent product labelling and consumer information to help consumers make informed choices and usages	As part of Good Living Store Tours, label reading trainings are given. Smart labelling process is in progress
Environmental Sustainability	2020	To achieve zero net deforestation	Monitoring suppliers use of certificated products
	2025	To halve food waste	Food waste ratio is calculated. Reduction studies are in progress
	2025	To phase out HFC refrigerants for Emerging Markets	A refrigeration systems working with natural refrigerants is
Social Sustainability	No time limit	To strive to eradicate forced labor from supply chain	Relevant commitments were added to the Human Rights and Equal Opportunity Policy. Suppliers are audited annually

MIGROS STAKEHOLDERS



Migros Call Center communicates with **890,000 people per year.**

Migros Call Center communicates with 890,000 people per year. Since 1954, Migros has been growing as the Turkish economy has grown. During this time, **Migros has been in constant contact with many stakeholders on a community basis**

and has created value for all stakeholders. During the reporting period, a sustainability materiality workshop was conducted with the Migros Sustainability Committee. In the workshop, the representatives of all the main functions of the company identified Migros' top priority stakeholders as "society and customers",

"employees", "shareholders and investors", "suppliers and co-operative organization and persons", "official institutions and regulators" based on their experience. These priority stakeholder groups are listed in the table on the next page along with examples of Migros' Communication Channels with each group and the frequency of communication.

Stakeholders	Communication Channel	Frequency of Communication
Society and Customers	Migros Call Center	Direct contact with 890,000 customers annually / approx. 2,500 calls daily
	Customer Survey	Each month
Employees	Recruitment Evaluation Survey	After each recruitment
	Evaluation of the Working Life Survey	Each year
	Migros Share Line	23,000 calls annually / average of 1,917 Calls per month / average of 63 per day.
Shareholders and Investors	General Meeting	Declaration of annual financial results
	Public Disclosure Platform Declarations	Quarterly disclosures and special event disclosures
	Corporate Governance Principles Compliance Report	Annually
Supply Chain	Migros Business Partners Summit	Annually
	MeCom / MeMobil Applications	Daily update
	Meetings	As required
Official Institutions	Permission and Registration Applications	At each store opening
	Inspections	Monthly / Annually
	Meetings and Feedback Requests	As requested by Municipalities and Ministries



Society and Customers

In line with its customer-focused approach, Migros strives to deliver a service that exceeds its customers' expectations. The company regards its primary responsibility as supporting the family budget by offering quality products and services to its customers at affordable prices. The company regards customer feedback as a valuable input to be used when determining its strategies. Migros conducts a wide range of consumer surveys each year allowing it to interact with more than 30,000 customers each year. The findings of these surveys are used both to help identify customer expectations and as an input in the development of the company's social responsibility projects. Migros has been awarded the TSE ISO 10002 Customer Satisfaction Management System certification and endeavors to resolve issues raised during calls received by the center within 48 hours at the latest. All communication with customers is rated on the basis of the criteria of customer satisfaction,

resolution effectiveness, timeliness of response, service quality, and accessibility. This information is compiled and reported at regular intervals.

The company's "[Privacy and Data Security Policy](#)" is intended to clarify the types of data that are collected, the reasons and methods of data collection, the purpose such data is used for, and the steps taken to ensure all data is kept secure. Migros cares about protecting customer information. Relevant information and news are shared via official Migros web page. In 2016, Migros received no complaints from customers about violation of personal information security. Moreover, according to the regulations and legislations updated in 2016, customer information is deleted if requested by a customer, and in total the information for 3 customers was deleted following their request.



Employees

In keeping with its "Good Job, Good Future" approach, Migros conducts many projects whose aims are to increase employee loyalty and to enhance internal and external customer satisfaction. All new employees joining the Migros Family are asked to fill out a "Recruitment Evaluation Questionnaire" in order to learn about their experience with the recruitment process and to measure the quality and effectiveness of the information given to them when they were hired. A "Evaluation of the Working Life Survey" is conducted every year by Aon Hewitt, an independent research company, in order to measure and further improve the level of Migros employees' job satisfaction. According to the findings of the 2016 survey, Migros was awarded the "Employee Affiliation Success Award" at the Aon Best Employers awards with a score above the retail industry norm. The Migros Hotline has been established to increase employee satisfaction, to resolve problems, and to address possible code of ethics violations in the quickest way possible.



Shareholders and Investors

As a publicly traded company, Migros holds a [General Meeting](#) every year with the participation of its shareholders and investors. All financial developments of the company during the year are reported to the Public Disclosure Platform. Migros, which presents its Annual Corporate Governance Principles Compliance Report to stakeholders, shares detailed information about the company on its corporate website, which is updated daily. In the company's quarterly financial results reports and annual reports, all activities and results are disclosed in accordance with the principle of transparency.



Supply Chain

As a responsible retailer, Migros believes that safe and high-quality products can only be produced in workplaces in which employees feel safe and happy. Placing great importance on supplier selection for this reason, the company monitors its suppliers' practices and provides them with guidance on ways to improve their performance. Migros has clearly spelled out its approach with respect to these issues in the "[Responsible Sourcing Policy](#)" which it has publicly disclosed by publishing it on its corporate website. This policy has also been incorporated into "MECOM", an application which was created to let Migros' suppliers keep track of their own business processes and all suppliers are informed about procurement management and inspection operations. Migros, which performs Business Partners Summit every year, meets with its suppliers and makes annual evaluations.



Official Institutions

For the new stores and new businesses of Migros, legal permits are taken and annual inspections to its operations are conducted. In this context, the relevant ministries and municipalities are regularly contacted; regulations, legislation and codes are followed and the requested informations are made. Migros is mostly in contact with the Ministry of Customs and Trade, Ministry of Food, Agriculture and Livestock, Ministry of Labor and Social Security, Ministry of Science, Industry and Technology, Ministry of Finance and Revenue Administration. Opinions are reported on all the issues that are opened to public opinion by the relevant ministries, through GPD, TAMPF, YASED, TÛSIAD and TOBB Retail Parliament.

MATERIALITY APPROACH

As a company operating in the retail sector, Migros gives importance to all stakeholder principles, particularly its primary stakeholder groups, in determining and prioritizing the effectiveness of its activities.

GRI principles have been taken into consideration for identifying the issues to cover in this report and **the feedback provided by Migros Sustainability Committee has**

been used to prioritize the important issues for stakeholders in the materiality analysis with respect to these principles. In addition, material topics have been linked with items in the GRI Standard Content Index in order to report in accordance with the core GRI Standards.

During the reporting period, studies and interviews with the public, employees and suppliers, as well

as feedback via different channels of communication, were taken into account in developing the report's content.

The results of these extensive studies allowed the company to identify and prioritize the key issues to focus on in this report and are summarised in the Materiality Analysis table on the next page. The topics covered in the analysis provide a baseline for the scope of the report.





SUSTAINABILITY MANAGEMENT

Sustainability Approach

Migros' sustainability approach covers environmental, social and economic dimensions and all decisions and activities are evaluated against national and international key performance indicators (KPI). Sustainability is a fundamental responsibility of all Migros employees.

This responsibility is implemented via both a bottom-up and a top-down approach.



Sustainability Committee

Migros Board of Directors is responsible for setting the strategic approach to sustainability issues such as climate change, environment, biodiversity, human rights, occupational health and safety, governance and business ethics, responsible business practices and social development. Migros CEO, as a member of the Board of Directors and as head of the company, is responsible for executing the strategies defined by the Board of Directors. The CEO fulfils this responsibility together with the executive team. All senior executives decide the allocation of sustainability responsibilities in their teams through defined targets. In order to facilitate this process, Migros established a specific body called Migros Sustainability Committee through the participation

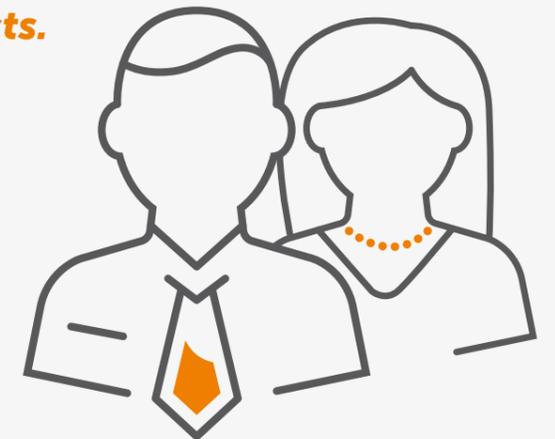
of senior managers representing the main functions of the company and chaired by Migros CHRO. Migros' Sustainability Committee provides a platform in which principles of responsible management are discussed. Through the work of the Committee, Migros integrates sustainability practices in its operations and conducts business practices regarding sustainability performance, helping to ensure that stakeholder expectations are met at the highest level. Migros Sustainability Committee tracks and analyses sustainability issues that may affect the company's assets or its operational and commercial activities; it determines indicators that will be used in tracking performance; it implements projects for achieving performance targets and reports

the results to the CEO and senior management. Performance related to sustainability issues has become part of the corporate performance evaluation system. In all main functions of the company, having at least one of their annual goals related to sustainability is mandatory. Especially in the field of combatting climate change, energy consumption and gas leakage reduction targets have a weight of 10% to 20% in corporate performance target cards of the Chief Construction Officer and Group Managers in charge of construction works and energy management, which directly impacts their annual bonus payments. The Sustainability Committee audits and monitors the effectiveness of the company's Environmental Policy

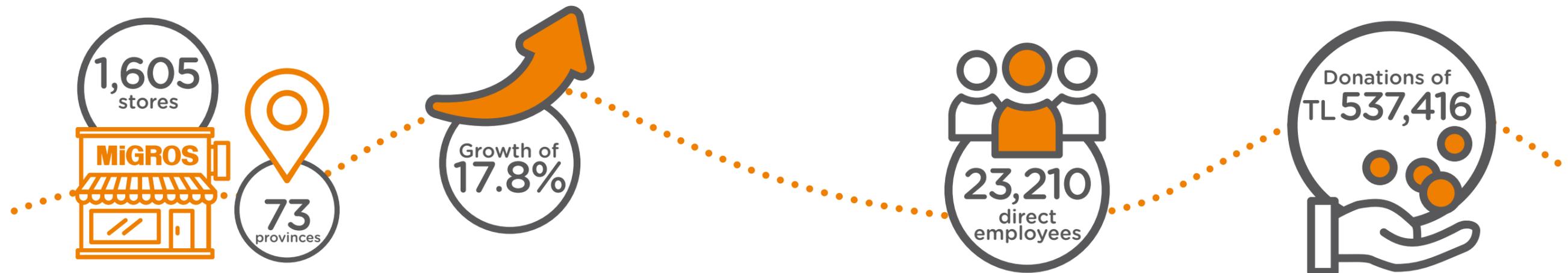
on an annual basis by obtaining information from managers of all departments. [Migros Environmental Policy](#) is known to and embraced by all of its employees. The managers from all departments who are members of the Sustainability Committee request all employees to follow the company's Environmental Policy and to monitor its continued application in the areas where they work. Migros Sustainability Committee assesses the legal, physical, environmental, operational and socio-economic risks and opportunities related to sustainability by bringing together leaders from different units of the company. Risks and opportunities addressed are prioritized according to their impact on business success and stakeholder expectations as part of

materiality analyses.

The Sustainability Committee adopts socially, economically and environmentally impactful practices and focuses on performance improvement in material subjects.



OUR ECONOMIC PERFORMANCE



As at the end of 2016, Migros serves its customers through a total of 1,605 stores in 73 provinces in Turkey and abroad through its Ramstore stores in Kazakhstan and Macedonia. Servicing as a food retailer, Migros aims to provide quick solutions under the same roof to meet the needs of all its customers with product groups such as cosmetics, stationery, glassware, electronics, books and textiles. Migros Group; with Migros, MigrosJet, Macrocenter and 5M Migros stores, serves its customers who go for grocery shopping in its stores. It also serves customers through its digital and mobile platforms Sanal Market, and to wholesale customers including cafes - restaurants, hotels and catering companies

through its Migros Toptan stores. During the reporting year, there were no significant penalties or sanctions imposed on Migros due to non-compliance with laws and regulations regarding social and economic matters. With its efficiency-focused growth strategy and innovative implementations, Migros creates value not only for its value chain but also for the whole Turkish Economy. In 2016, Migros registered a consolidated sales growth of 17.8% with sales amounting to TL 11,059 million in 2016. Migros' first and foremost responsibility in terms of achieving economic impact is to fulfill its tax and other financial obligations on a timely basis and in full and to be an exemplary company in the public

domain. Migros paid TL 62 million in corporate income tax, according to the independently audited 2016 year-end consolidated IFRS financial statements. "Taxes and other fees" for the year 2016 were TL 14.7 million. Migros is a nation-wide employer. Employees in Migros' stores account for 95% of the company's human resources and 66% of employees are employed outside of Istanbul. In line with this, recruitments continue all the year round in different provinces throughout Turkey in line with the needs of the Company. In addition, people are recruited throughout the year in the headquarters, regional management offices of the stores as needed. In 2016, Migros continued its mission of

'contributing to employment' and provided new jobs to 5,500 people. As of the end of 2016, the number of direct employees had increased to 23,210. This economic impact is enlarged when the 1,613 active suppliers of Migros and their employees are also considered. Migros will continue to create employment by opening new stores. In addition, Migros' special campaigns and branded products exclusively sold in Migros stores are important examples of innovation in the retail sector and are the result of close collaboration between Migros with its suppliers. Migros aims to bring the best service to its customers and to support the family budget by offering the best quality products at the best prices. Migros reaches

80% of households in Turkey and has customers from all socio-economic circles. The Company offers best price guarantees on more than 1,500 branded and private label products that it offers to its customers in its stores, making it possible for all socio-economic circles to obtain quality goods at reasonable prices. After identifying areas in which there is a social need, the company develops projects to address those needs by working together with employees and customers as well as with foundations, associations, and other non-governmental organizations in order to amplify the impact level of the projects. During 2016 Migros donated a total of TL 537,416.40 to various charitable foundations and associations.

Migros provides economic support indirectly to key stakeholders through its memberships of initiatives and organizations. As an example, Migros' customers who shop at the Migros Sanal Market have the option of making a charitable donation of products which they can have sent to the Turkish Foundation for Children in Need of Protection (Koruncuk), TEGEV, or the Foundation for the Training and Protection of Mentally Handicapped Children (ZİÇEV). During the run-up to the Sacrifice Eid each year, Migros and Migros Sanal Market customers are also given a chance to make donations to ZİÇEV. In addition, during the Ramadan period, specially prepared Ramadan aid boxes can be donated to the Red Crescent.



OUR HUMAN RESOURCE

Migros is committed to offering its employees an unrivaled range of training and development options that will support their professional advancement and career progression. It is a basic principle throughout the company to maintain harmony at work, to comply with laws and regulations, and to be mindful of, and to fulfill all, employees' rights to which they are entitled both contractually and by law.

The most important strategic objective of the Migros Human Resources Department is to manage the company's human resources so as to ensure that employees are knowledgeable, customer- and process-focused, dynamic, and supportive of Migros' efforts to maintain its leading position as a retailer. A key tenet of the Migros brand is "Good Job, Good Future".

The management of human resources processes and relations with employees at the Company, in line with established [Human Resources Policy](#) and principles, is the responsibility of CHRO. This function is clearly defined and undertaken within the regulations and business ethics principles of the company.

Migros works with the aim of achieving compliance with **human rights** standards in its operations.

Human Resources Approach

Migros provides services in many different languages and to customers of many different religions and ethnicities through its subsidiaries in Turkey and internationally. Migros is a fair employer that provides equal opportunities to its employees. It welcomes cultural, age and gender diversity and people with disabilities and bases its recruitment on considering competence at work. The human resources' evaluation system applies to all employees on equal terms and evaluates and monitors employees' competencies and skills and their performance. There were no reported cases of discrimination in the reporting period. All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles that are defined in detail. Migros provides equal training, promotion, and career development and compensation opportunities to its employees. All employees are committed to providing on-the-job training and lifelong learning opportunities. Migros pays severance pay to its employees

who, after providing service for at least one year, leave their job due to reasons other than resignation or misbehavior (retirement, military service, etc.) as mandated by laws.

Migros, as stated in its [Human Rights and Equal Opportunities Policy](#), **complies with United Nations Work Life and Human Resources Guiding Principles and ILO Declaration of Fundamental Principles and Rights in the Working Life** in all markets where it has operations. Migros commits to abide by these standards in all situations, including any high risk situations or adverse events. Human rights risk assessments are a part of the business risk assessment process. Migros emphasizes the necessity for its employees to fully comply with standards concerning human

rights.

The Migros Human Resources Policy and its Human Rights and Equal Opportunity Policy are reviewed annually and employees are informed via e-mail following any updates. In addition, e-training on these policies was introduced to all employees in 2016 and 84% of the employees received the training. 17,894 employees were trained in the stores, and 546 were trained in the headquarters.

Relevant policies were also translated into Macedonian, Kazakh and Russian for employees in Macedonia and Kazakhstan, uploaded to the company's intranet page, and employees were informed via e-mail about the policies. For the training of store employees, the policies were printed and attached to the news boards of in the stores. In 2016, the 30 items of the Universal Declaration of Human Rights were shared through the Migros Social application established for employees' internal communication, with #wearelearninghumanrights hashtag

in order to help make sure that all employees are aware of these issues. At the end of the campaign, 10 questions were asked to the users at different times and Migros gift vouchers were given to the employees who answered correctly. The implementation of Migros' Human Resources Policy and Human Rights and Equal Opportunity Policy and compliance with the policies are regularly monitored by the internal audit department on the basis of clear audit instructions and are reported to top management. If concerns are raised or complaints are received, additional inspections

are carried out on these issues and, if necessary, co-operation is carried out for internal inspections. All Migros activities in Turkey are subject to impact assessments on human rights issues. Migros works with the aim of achieving at least 99% compliance with human rights standards in its operations. In the internal inspections conducted in 2016, no human rights violations were identified within the operations of Migros. There was no child or forced labor cases identified among Migros registered employees. In Migros, women workers with children are given full legal rights and all rights provided by

laws, regulations and collective agreements. Paternity leave granted to male employees with children is 5 working days.

Migros participates in the Consumer Goods Forum's Employee Health and Wellness working group. The workers' health program was introduced in line with the commitment of the CGF Executive Board. In addition, Migros has added "3 Priority Industry Principles" to the Human Rights and Equal Opportunity Policy following its commitment to prevent forced labor.



In 2016, **235 positions** were filled through the company's internal transfer/promotion system.

Employee Profile

Migros is a young company with 80% of employees from generation Y, and with its staff having an average age of 30. The female employment rate is 40% both domestically and abroad. The rate of female managers is 27.36%. Migros aims to increase this ratio to 27.50% in 2017, to 28.50% in 2020 and to maintain this number in 2021. 82% of the employees are blue-collar, 18% are white-collar.

The average seniority rate of white collar employees is 9.95 years.

Migros places importance on the employment of local people in all the geographical areas it operates in. Migros operates in 3 countries and its main operational region is Turkey, where it generates 95% of its total revenue. The top management of Migros in Turkey are citizens of the Republic of Turkey.

With 583 disabled employees, Migros received the **"Employer providing the most jobs to the physically handicapped"** award by The Social Security Institution, in 2016.

Hiring Performance

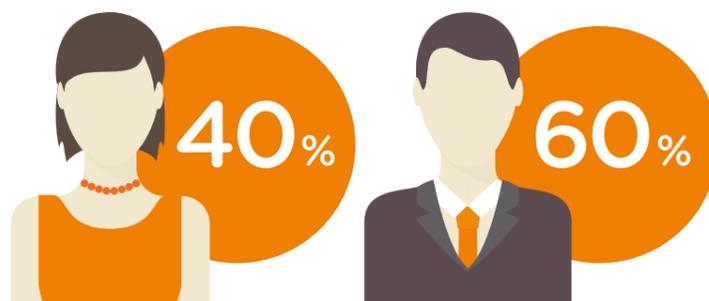
Migros received 304,000 job applications and **hired 5,500 people in 2016**. Vacancies are also filled through the company's internal transfer/promotion system: 235 positions were filled in this way in 2016.

Under the company's "Recommend a Friend" project, 154 people were recruited by Migros based on an existing employee's recommendation. In addition, 119 Migros employees who took part in the project and whose friends were hired were rewarded.

At Migros, wages in stores start from the minimum wage and benefits regardless of gender. In the event of any employees needing to leave the Company due to operational changes, Migros follows the notification periods required legally as well as any additional requirements in the Collective Bargaining Agreement.

Migros' Direct Human Resources Statistics

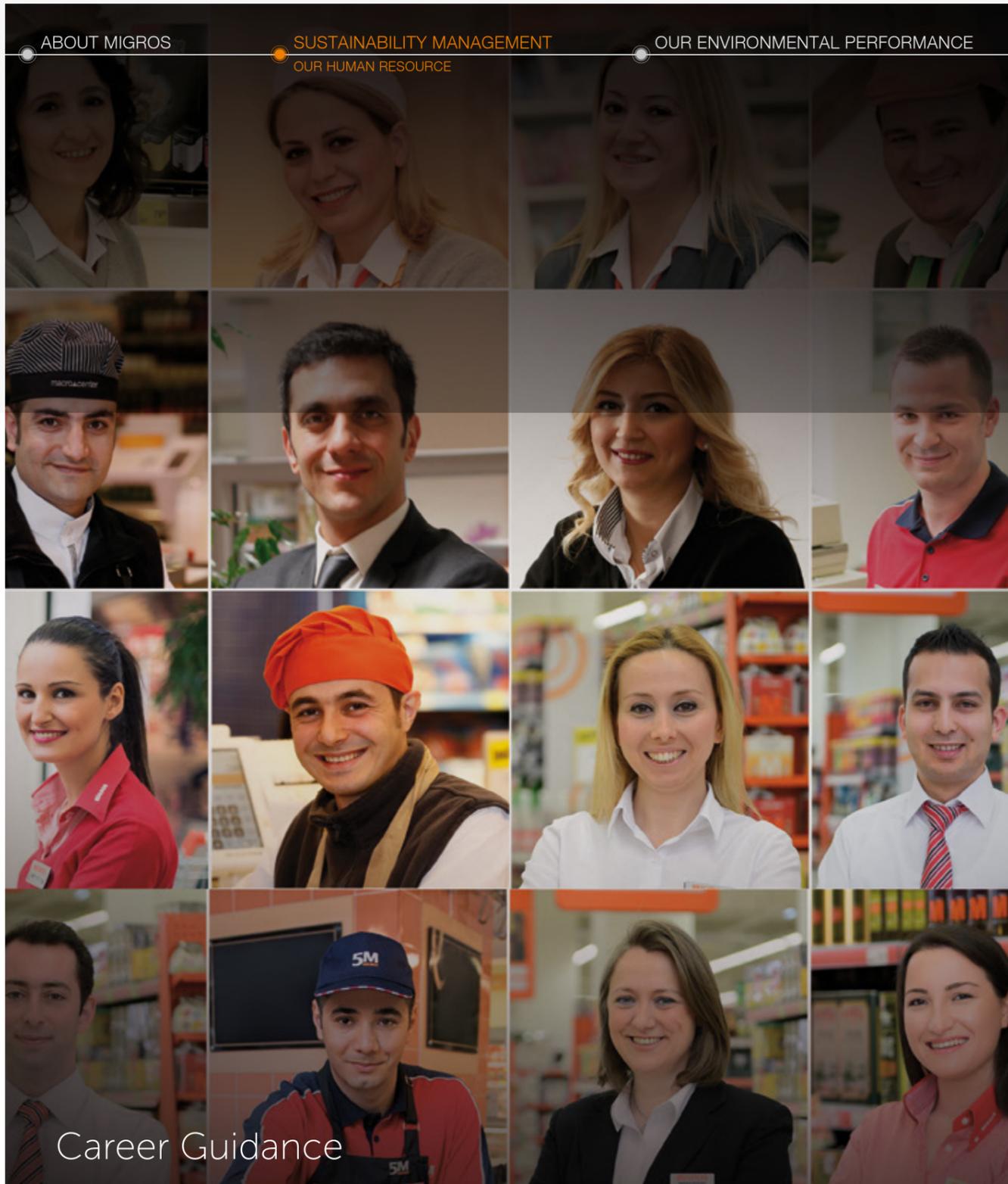
	In İstanbul		Outside İstanbul		Outside Turkey		Total
	Women	Men	Women	Men	Women	Men	
Full Time Employee	2,493	4,546	4,865	8,047	792	547	21,290
Part Time Employee	124	223	911	662	0	0	1,920
Total	2,617	4,769	5,776	8,709	792	547	23,210



Age Range

	Ratio
Under 30 Years	49%
30-50	49%
Over 50 Years Old	2%





In 2016, **more than 3,300** Migros employees benefited from The Migros Reward System.

Talent Management

Migros carries out 6,000 performance evaluations every year for its employees who work in its administrative locations through its Store White Collar Performance Management System. Under the company's Store Employee Performance Management System, nearly 15,700 store employees are evaluated twice a year by their supervisors.

Headquarters administrative personnel and store managers similarly undergo "360° Competency and Potential Evaluations" in which their strengths and potential weaknesses are identified so that development plans may be formulated accordingly. Such evaluations were carried out for more than 3,250 Migros employees in 2016. The Ramstore personnel in Macedonia and Kazakhstan operations was also included in the system in 2016.

The Migros Reward System is used in order to recognize and reward employees for their superior performance in the areas of creativity, added-value generation, and teamwork. More than 3,300 Migros employees were the recipients of such awards in 2016.

Career Guidance

Migros employees begin receiving career guidance, mentoring, and professional and personal development support from the moment that they are hired by the company. Management-related career planning and promotion processes are conducted in

accordance with the Migros Career Paths Program, which allows employees in all stores and departments to manage their own careers systematically, fairly, and objectively. **98% of Migros' store management**

personnel were recruited from the company's own human resources through the Migros Career Paths Program in 2016.

Employees subject to performance and career development evaluation in 2016 are shown below:

	Woman	Man	+
Center	89%	93%	91%
Store Management	97%	99%	98%
Store Personnel	96%	95%	95%
Total	94%	97%	96%



Migros respects **the right to unionize** of its employees.

Contributing to Employee Development

Set up to make the concept of "continuous development" a core element of Migros' corporate culture, the Migros Retail Academy contributes to employees' professional and personnel development through a mix of university programs, classroom trainings and e-learning options.

During 2016,

Migros employees, women - men without discrimination, received an average of 19 days of professional and personal

development training. The average number in Turkey is 5.5 days.

The total number of employees receiving vocational and personal training in 2016 was 30,676*. Migros' goal of training at least 90% of employees was reached through the trainings provided in 2016.

The Migros Retail Academy cooperates with universities to educate its blue and white collar employees. Migros conducts long-term training and certification programs in this context with Boğaziçi University, Anadolu University, Koç University, Ege University, Karadeniz Technical University, Uludağ University and Georgia State University. The Migros Retail Academy increased the awards it receives from institutional academies and educational units across the globe to 14 by the end of 2016.

Employee training statistics:



*Number of all employees who got trainings in the reporting year including full time, part time and seasonal employees.

Freedom of Association

Since 1972, Migros has followed a work environment where the right to unionize is respected. The constructive dialogue between the union and Migros covers a variety of issues such as the elimination of forced and child labor and being impartial and fair. In this context, in Migros, violation of human rights or ILO standards may result in disciplinary punishment or criminal action.

Migros and the Tez-Koop Labor Union signed a collective labor agreement covering 64%

of Migros employees valid between May 1, 2014 and April 30, 2017. The collective bargaining agreement includes articles on supportive food aids, hygiene goods and tools, wellness leave and pay, workplace

physician, examination room and medicine cabinets, sickness and people to be employed in light works, business apparel and tools in scope of occupational health and safety.

HEALTH AND SAFETY

Safety and Security in The Working Environment

Migros has committed itself to providing its employees with a safe and secure working environment. It was to this end that in 2013 the company set up an Occupational Health & Safety Committee whose membership consists of top-level managers and which reports directly to the CEO. This committee acts as the highest level of management regarding Occupational Health & Safety (OHS) that evaluates and makes decisions on the OHS processes of all Migros locations throughout Turkey regardless of the store format. OHS Committee meetings, where the members are full time or are OHS experts or a workplace physician appointed following the required legal processes, take place in stores, distribution centers and fresh produce warehouses on a regular basis. In addition,

Occupational Health and Safety Committees are present in all stores with more than 50 employees.

The total employees working in these stores are 4,000 and **this corresponds to 18% of all employees.**

Risk assessments were carried out at stores, headquarters and branch units, distribution centers, fresh produce warehouses, and the MİGET meat-processing plant, continuous improvement studies were continued by implementing corrective measures identified by risk assessment reports. Complete risk assessments are

always conducted whenever a new workplace is opened. Owing to the scale of Migros operational footprint, the Company has a customized OHS management software developed to allow the company to keep track and systematically report on all OHS-related processes and practices centrally. With this system, work related incidents are recorded, reviewed and their statistics are compiled; employees' health is checked both during recruitment and regular periods, organizing and monitoring employee trainings, monitoring risk assessment studies, monitoring corrective and preventative measures, organizing emergency action plans and drills, equipment records, monitoring of periodic controls and preparing and archiving audit reports.

OHS Trainings

Migros employees are provided with OHS related training. Newly-hired personnel at headquarters, branch, and regional units are provided with OHS training by their workplace safety specialist and physician. Migros employees are also provided with access to online OHS training throughout the year.

On the job training and periodical OHS training are provided face to face in classroom for new recruits where OHS services are provided. Employee training is also supported by distance learning in all locations. A total of 39,013 hours of face to face on-the job training was provided to employees by occupational safety specialists and workplace doctors.

In addition, "OHS Foundations" and "Emergency Cases" trainings were provided to more than 12,150 employees through distance learning. First-aid training for 771 employees at the company's headquarters and branch units, distribution centers, fresh-produce warehouses, and MİGET meat-processing plant was completed last year.

39,013
hours of on-the
job training

Through distance
learning to
12,150
employees

First-aid
training for
771
employees



The number of lost days due to work accidents in 2015 was 3,211, and in **2016 this number decreased to 1,511.**

OHS Controls

During 2016, **47 OHS experts, 46 workplace physicians, and 2 other health personnel who were employed by duly licensed firms provided a total of 37,499 hours of occupational health & safety (OHS) services** at

stores with 50 or more employees and headquarters and branch units as well as at distribution centers, fresh produce warehouses, and the MIGET meat-processing plant.

In 2016, as part of the recruitment and periodic general examinations, workplace physicians conducted 6,163 medical examinations. Also in

2016, Emergency Action Plans and risk assessments of 236 new stores were completed.

Disaster & Emergency Management Agency (AFAD) personnel and local fire department officers provide Migros store, distribution center, and perishables warehouse employees with Emergency Action Plan training and they also put them through EMP drills. There were 547 work-related incidents reported

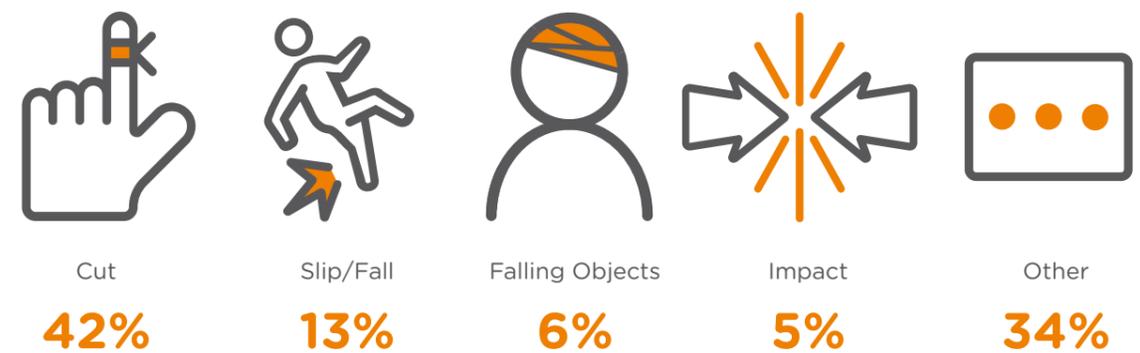


during 2016, a performance that resulted in a frequency rate of 9.16 and a severity rate of 25.40*. A reduction in lost days is targeted through providing employees with trainings and OHS related activities. In this context, the number of lost days due to work accidents in 2015 was 3,211, and in 2016 this number decreased to 1,511, representing a 52.9% reduction in lost days compared to the previous year. The highest risk working group to incidents are the charcuterie workers and butchers working in the service sections due to the use of cutting and drilling tools. No days were lost to occupational diseases.

52.9%

reduction in lost days compared to the previous year.

Work accident statistics from OHS assessments in 2016:



Incidents by gender

Male	390
Female	157

Incidents by region

Marmara	187
Aegean	181
Eastern Mediterranean	49
Central Anatolia	95
Western Mediterranean	35

Work Incident

	2014	2015	2016
Lost Day	2,446	3,211	1,511
Severity Rate (Lost Day*)	41.43	54.29	25.40
Severity Rate (Lost Hour**)	0.033	0.043	0.020

*Lost day = In 1,000,000 hours worked in a calendar year, it shows how many work days have been lost due to work accidents.

**Lost Hour = Shows how many hours have been lost due to work accidents every 100 hours worked.

*Calculated based on 1,000,000 working hours



PRODUCT MANAGEMENT

In keeping with its multidimensional approach to sustainability, Migros focuses not just on issues such as preventing climate change, protecting biodiversity and productivity, and on using natural resources efficiently but also, and especially, on the matters of public health and wellness through its “Good Living” approach. Every day, Migros opens the doors of “Good Living” concept to its customers in its stores all over Turkey. Migros pays detailed attention to approaches and regulations regarding product range, product safety, certified products, quality standards in fresh produce and nutritional and calorific information labels on products through its [Health and Nutrition Policy](#).

In 2016, only 17 cases were identified with monetary fines where regulations regarding product and service information and labelling was not followed in its 1,605 stores. During product safety audits to stores and warehouses, 11 non-compliance cases were determined and monetary fines were paid.

The number of products supporting the "Anadolu Lezzetleri" label reached **45** in 2016.

Products That Support The "Good Living" Approach

Placing great importance on making sure that every product it offers a customer complies with high quality standards, Migros performs an extensive range of inspections and checks so that every product is made and supplied to customers in ways that are fully compatible with human health. For example, heeding the wishes of customers who want products that are fresh and products with less sugar, salt, fat, and/or cholesterol in them, Migros makes news additions to its line-up of such products every year. Having introduced 793 new products that

support healthy and good living lifestyles to its customers in 2015, in 2016 Migros increased its product range to 972. 180 of these products are from Migros' own private labels. These products account for 5.2% of the total products in the same categories. Migros aims to add 3 more private label products that support "good living" to its portfolio in 2017. In addition, to raise awareness towards celiac disease, discounts of 25% are applied to gluten-free products every year in May due to the World Celiac Day on May the 9th.



In 2016, Migros gave TL 1.78 million of discounts to incentivize the purchase of products that support the "Good Living" style.



Organic, low calorie and sugar-free sweetened products with the "M Life" label are intended for customers who are mindful of their wellbeing as well as people with health issues.

The "Anadolu Lezzetleri" (Tastes of Anatolia) label is the hallmark of a line of products which are distinguished by their local and/or cultural connotations, are produced by means of traditional methods, and typically are associated with a backstory. Originally initiated as a result of surveys conducted in every region of Turkey in order to identify local specialties and crops, the goal of the Anadolu Lezzetleri project

is to ensure that Turkey's culinary heritage is preserved and passed on to future generations. The number of products supporting the "Anadolu Lezzetleri" label reached 45 in 2016.

Acknowledging its responsibility to inform customers about the nutritional values of the food they eat, the labels of Migros private-label products contain details

about seven different nutrients. This information was provided on all 164 of the private-label products that Migros supplied to its customers in 2016. Front side information is available in 19 Migros private-label products. Eleven of them were reformulated to reduce energy, salt and sugar.

Under GAP, Migros' poultry meat and egg procurement was brought into compliance with **317 GAP criteria**.

Good Agricultural Practices (GAP)

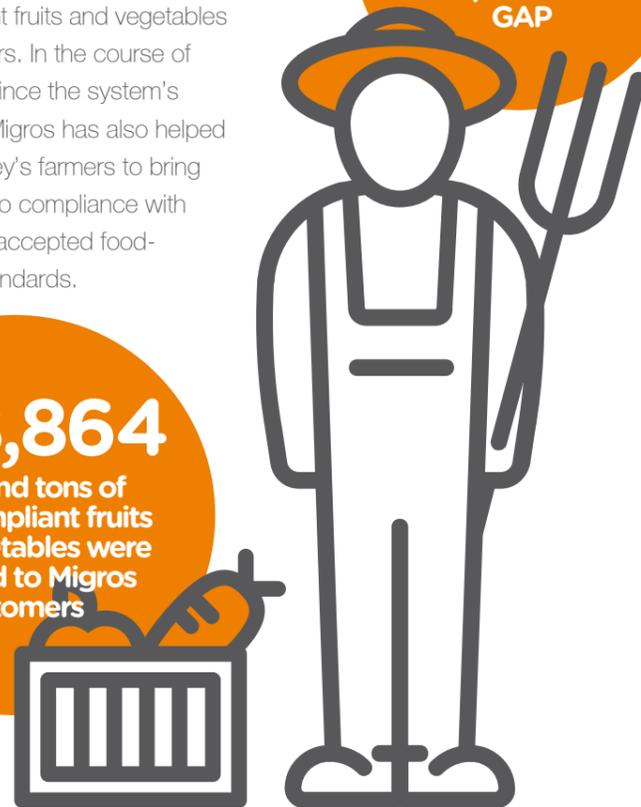
In 2010 Migros became the first retailer in Turkey to introduce a Good Agricultural Practices (GAP) control system that specified 224 criteria for its fruit and vegetable procurements. This system, where the GAP procedures and principles comply with those approved by the Ministry of Food, Agriculture and Livestock, spells out health & safety standards (including sustainable agriculture with the performance of water and soil analyses) which govern the production of the fruits and vegetables that Migros offers to its customers. GAP differs from traditional or conventional farming in that written records are kept of food-related information thereby ensuring food traceability; food-related processes are subject to the oversight of authorized

agencies and organizations; food-related analyses are performed by accredited laboratories; compliance with GAP principles and practices is checked by means of certification procedures carried out at officially-designated checkpoints. As at the end end-of 2016, Migros had supplied 448,864 thousand tons of GAP-compliant fruits and vegetables to its customers. In the course of the six years since the system's introduction, Migros has also helped 6,291 of Turkey's farmers to bring themselves into compliance with internationally accepted food-production standards.



448,864
thousand tons of
GAP-compliant fruits
and vegetables were
supplied to Migros
customers

6,291
farmers were
brought into
compliance with
GAP



Only in 2016, Migros procured GAP certified products from 321 suppliers and 1,071 producers connected to them. Responding to the justified concerns of consumers on this matter, in 2013 Migros launched its Good Husbandry Practices Project, in which it committed itself to the Ministry of Food, Agriculture and Livestock's GAP standards in poultry farming. Under this project, Migros' poultry meat and egg procurement was brought into compliance with 317 GAP criteria, thus making the company the first retailer entitled to put "Good Chicken" products bearing the "Good Agriculture"

sticker in designated shelves as evidence that the products satisfied specifications pertaining to environmental, human health, and animal welfare issues. During 2016, Migros procured its poultry-meat products from 1,126 coops belonging to 9 suppliers, 1 turkey and 8 chicken producers, whose production conformed to GAP principles and procedures.

Under the "Biological Control in Grapefruit Cultivation Project" that Migros launched in 2016 in partnership with Turkey's biggest citrus fruits producer, the Ministry of Food, Agriculture and Livestock's

General Directorate of Agricultural Research and Policies, and the Biological Control Research Institute, the company has begun to promote citrus farmers' knowledge and responsible use of pesticides and herbicides that do not harm the environment or beneficial organisms. The goal of this project, a pilot study for which is now in progress in the Adana region, is to find mutually acceptable and sustainable ways to farm citrus fruit while also protecting the beneficial wildlife and other organisms that live in citrus orchards.



Quality control of **1,815,626 products** were made at distribution centers.

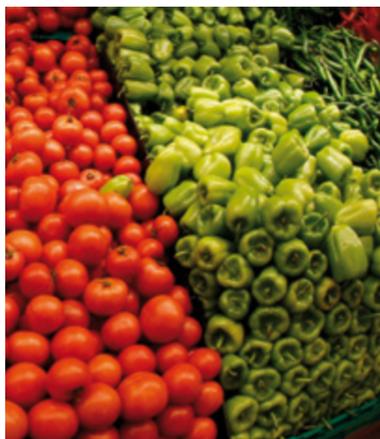
Turkey's Biggest Meat-Processing Plant: MiGET



Besides owning and operating the biggest meat-processing plant supplying Turkey's food-retailing industry, Migros is also the only brand in Turkey that singlehandedly oversees all aspects of the red-meat value-creation chain from farm to table. All of the production stages through which meat is produced and processed by MiGET, which has an annual production capacity of 60 thousand tons, are also

subject to Turkish Standards Institution (TSE) certification. MiGET-branded meats and meat products must successfully make it through 220 checkpoints, which include laboratory analyses and veterinary inspections in MiGET's own facilities, before they are allowed to appear on shelves. These products are produced under hygienic conditions and cater to the needs tastes of Turkish consumers.

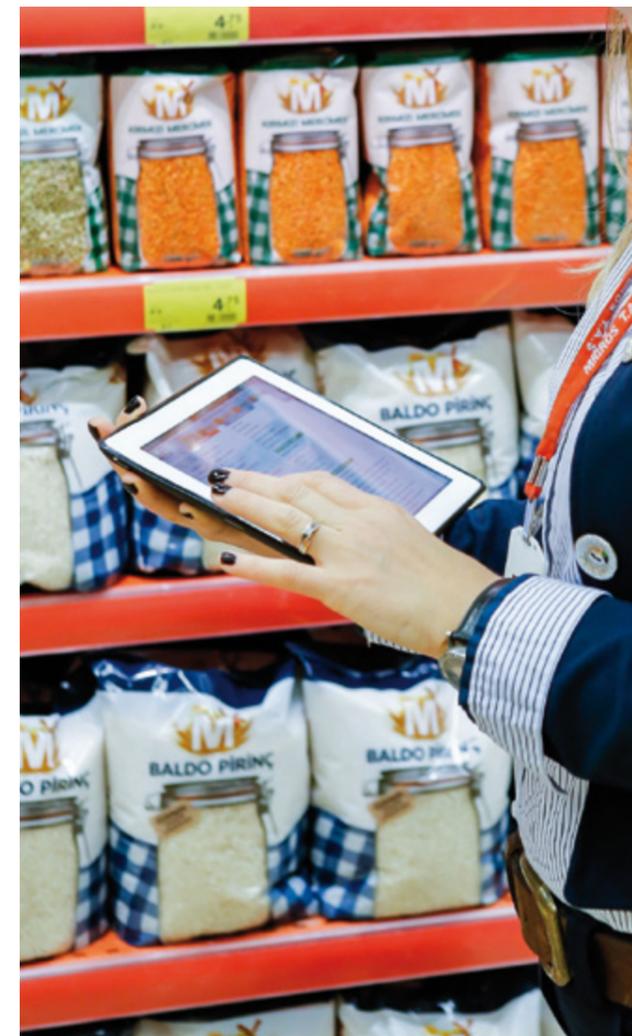
Fresh Products: The Greatest Expertise of Migros



Migros' logistical strengths give it a huge advantage by ensuring the freshness and quality of the produce and perishable food products that it sells. Under the company's "From the Field to the Shelf" project, all produce is sent to Migros stores immediately after being harvested and the great majority of them appear on the shelf in less than 30 hours.

During 2016, 56 training programs and distant trainings covering GAP principles and procedures were conducted for 118 Migros store personnel employed in the company's branch units.

Product Quality Audits



More than 60 thousand different food and non-food products are sold in Migros stores. In the case of food product safety/ quality, Migros complies with the highest internationally recognized standards and it strives to make sure that all such products are stored and offered for sale under the most hygienic of conditions in order to be worthy of its customers' unconditional trust. An Integrated Quality Management System ensures that Migros-sold products are subject to complete quality control at every stage from their initial procurement to the moment they reach the customer.

Product and store inspections made in 2016

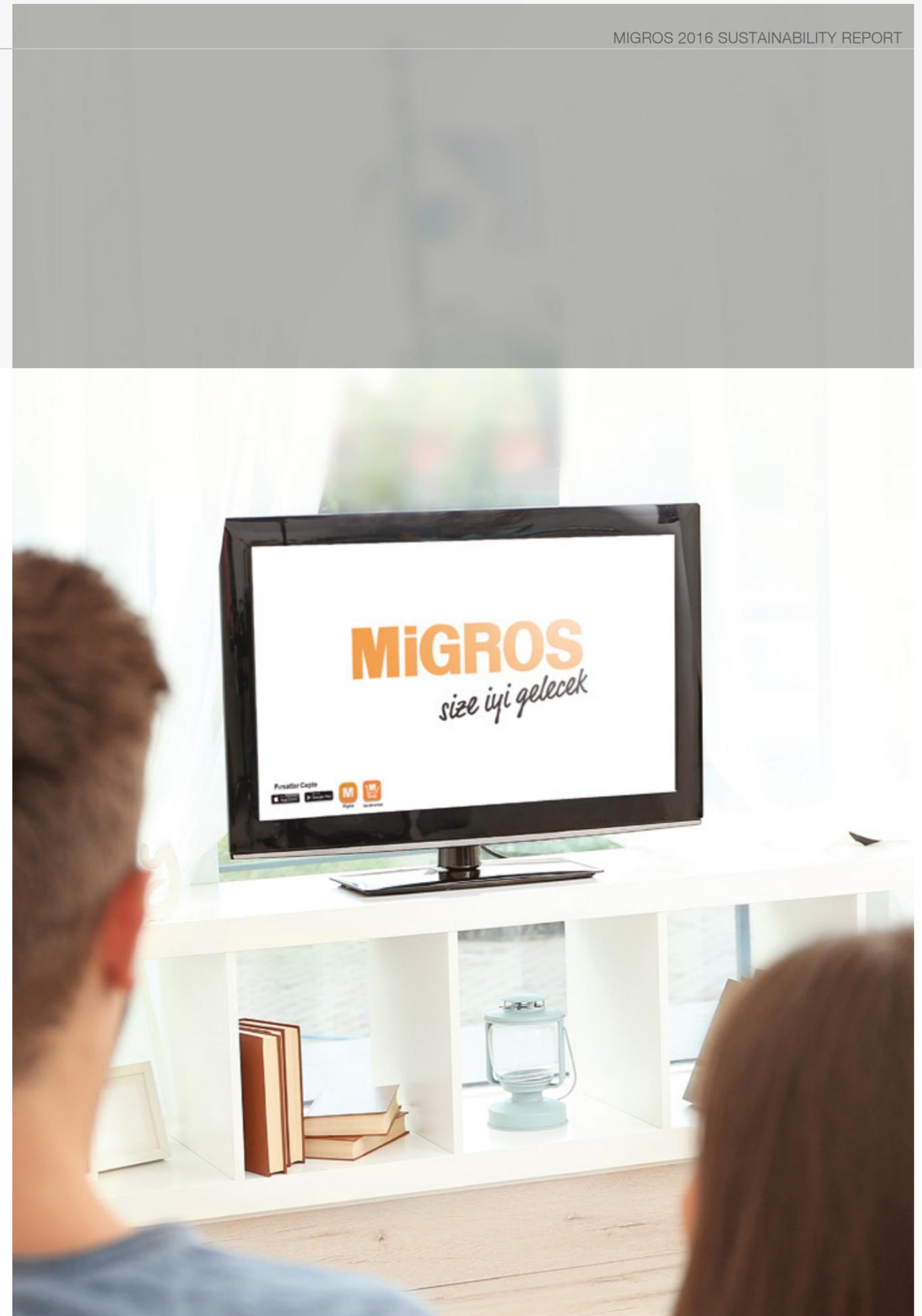
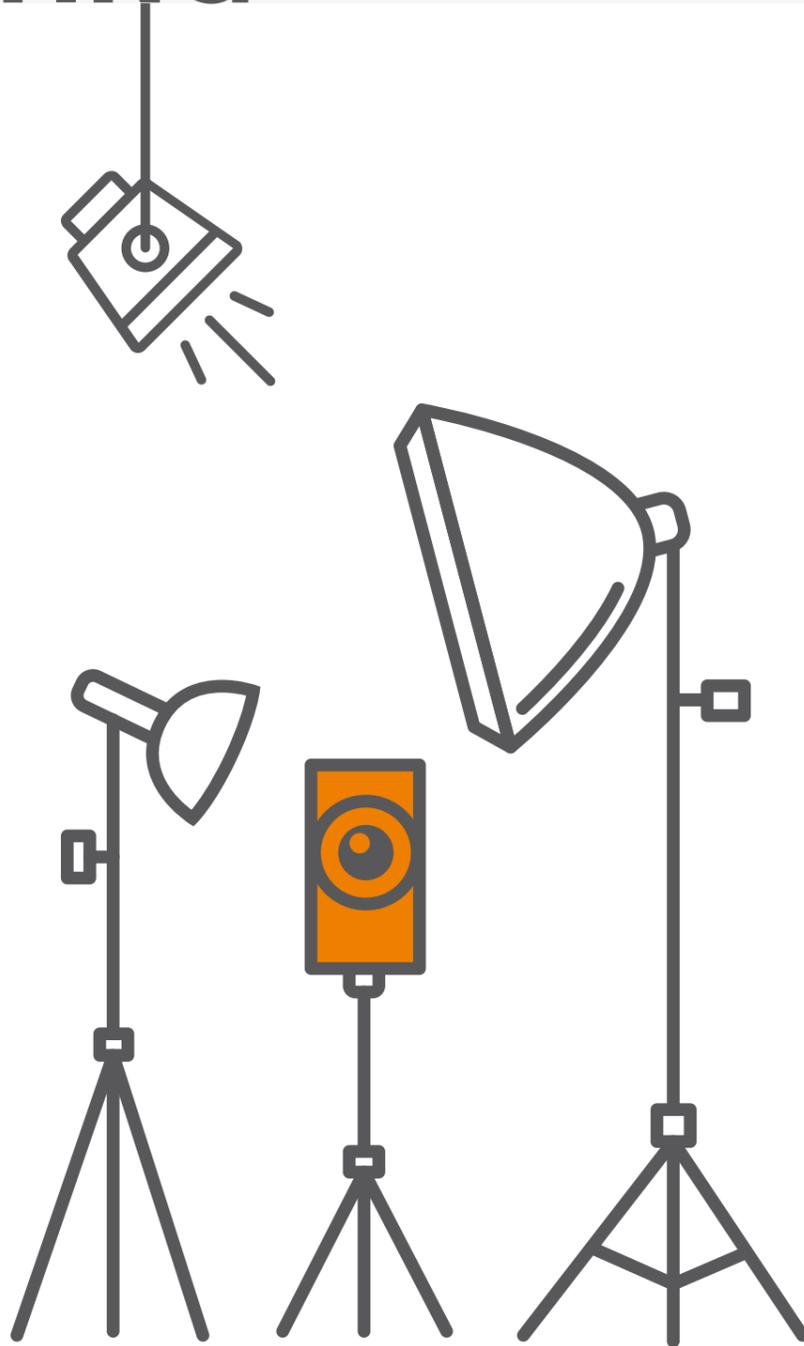
- 9,784 internal quality inspections on new products
- Quality verification analysis on 5,798 food products and 569 non-food products through an Accredited Independent External Agency
- 2,550 unannounced store verification checks
- Over 22 thousand store hygiene analyses
- 2,832 fresh produce section inspections
- Quality control of 1,815,626 products at distribution centers
- 259 temperature verifications on vehicles that make fresh food shipments
- 200 unannounced verification checks at Migros Sanal Market operations

RESPONSIBLE ADVERTISEMENT AND MARKETING

Migros shows the same responsible stance it shows in all its activities in advertisement and marketing activities.

The company commits to comply with all regulations and rules in all its advertisements and published communications in the countries where it operates.

No non-compliances were identified and no monetary fines were incurred in the last five years regarding advertisement, publicity and sponsorship activities. Only in 2016, the digital advertisement film for World Football Championship was pulled from the air because it was considered that it could lead to mistakenly identifying the company as the project sponsor.



CORPORATE SOCIAL RESPONSIBILITY

“Good Living”: A project from Migros employees to the community

In addition to striving to supply its customers only with the best, freshest, and the highest-quality products, Migros also engages in a variety of activities under its “Good Living” program as an extension of this approach in which it emphasizes the importance of balanced nutrition and physical exercise in human health and wellness. What is unusual about this program is that Migros seeks to work through its own employees in order to have a greater impact on society at large. Having initiated the “Good Living” movement among its employees, Migros expands its scope to society through them.

As part of this project, Migros provides its employees with training, wellness seminars, and physical checkups to help them live better lives of their own.

Migros, for example, provides its employees with health insurance

and with convenient and appropriate access to nutritionists while the calorie counts of all the meals provided in company-owned cafeterias are announced every day and cafeterias also provide food for people with special dietary needs. In addition, interviews and examinations on topics such as living with diabetes, quitting smoking, breast health or office ergonomics and deep relaxation are carried out. Hobby and travel clubs and organizations are also supported for employees. Migros sets up hobby-related clubs for its employees and it provides them with opportunities to socialize and pursue their hobbies in the workplace environment. Annually-conducted Migros Sports Festivals provide opportunities for Migros employees from all over Turkey to get together, socialize, and compete against one another in table tennis,

chess, basketball, volleyball, football, and many other events. The eighth Migros Sports Festival, which was held in 2016, was attended by 281 Migros employees from different parts of the country.

A total of 2,986 Migros employees benefited from 22 different applications developed in the context of ‘Good Living’ project in 2016.

Their awareness and appreciation of healthy living and its importance thus enhanced, Migros employees themselves become Good Living ambassadors who assume a responsibility for promoting the movement outside the company.



Get Moving Project

The project was inaugurated in 2013 and the customers who downloaded a Migros app that keeps track of how far they’ve walked in their selected city earned points. In the second stage of this project that was initiated in 2016, customers’ Get Moving points were included in Migros Money Club loyalty program, meaning that the further they walked, the more Money points they earned. It is calculated that all the Migros customers who have taken part in this project so far have walked enough to circle the globe 182 times.



Migros Children’s Theater

Over the last 22 years Migros has given nearly a million children a chance to enjoy theatrical performances at no charge. Recognizing the Migros Children’s Theater as a good way to reach families as well as the kids themselves, the subjects and themes of the performances focus on the importance of healthy nutrition and physical activity. During the 2016 shows, which took place as part of April 23rd Children’s Day celebrations, Migros employees provided audiences with Good Living tips along with copies of Growing Up Healthy, a Migros funded guidebook put together by the Food Safety Association.



Good Living Store Tours

As a result of the success of its Good Living program, it was decided to let stores play a more active role in the project as well. 99 Migros store managers who volunteered to take part in this part of the program were given training on how best to explain Migros Good Living to children after which the kids living in their store’s locality were invited to come to the store and take part in tours during which they were provided with information about such things as the importance of fresh foods, of balancing the food one eats with proper exercise, and of healthy and smart shopping techniques.

In Get Moving Project, Migros customers have walked enough to **circle the globe 182** times.

During 2016 alone, Migros reached some 60 thousand families with its Migros Good Living activities. The Good Living model has begun to attract attention not just in Turkey but elsewhere as well. Invited to make a presentation about the project at the Consumer Goods Forum’s Sustainable Retail Summit, a gathering which took place in Paris in August 2016 and at which best practices in such areas were highlighted, Migros was the only company from Turkey or from any other emerging market that was asked to send a representative to the forum.



Other Social Responsibility Projects and Activities

By identifying areas in which there is a social need and by undertaking projects to address them, Migros further strengthens the impact of its social responsibility efforts. Along with its Good Living project, Migros engages with its stakeholders in a variety of projects in the areas of education, sport, and health.

"Special Support for Athletes with Special Needs", the longest-running social responsibility project that Migros undertakes in the area of sports, has been continuing since 2004. Last year the campaign was retooled as a project for children with special needs in the 2-7 age group. In its new form, the campaign focuses on increasing their coordination skills

and on helping them to socialize by spending quality time with other kids their own age. Under this project, a portion of the proceeds from the sale of Procter & Gamble products at Migros stores is donated to the Turkish Committee of the International Special Olympics. The eight million Migros customers who have taken part in the Special Support for Athletes with Special Needs project have made it possible for 5,500 youngsters with special needs to take part in sports.

In 2016 Migros launched a new Project in collaboration with the Breast Health Society (Memeder) to draw attention to the importance of early detection in breast cancer. Under this project, a portion of the

proceeds from the sale of pink-ribbon-ticketed Pantene products and special pink Pantene packages sold in Migros stores is donated to Memeder.

During the week around National Sovereignty & Children's Day (April 23rd) every year, customers are encouraged to purchase toys, books, and stationery from Migros stores for donation to the Educational Volunteers Foundation of Turkey, which hands the items out as gifts to underprivileged kids all over Turkey.

Through its customers, Migros supports the efforts of the Books for Everybody Foundation to encourage reading habits in children. "Books

for Everybody Foundation" bins are set up in Migros stores in which customers can put books that they buy at a discount from Migros as well as used books which they bring from home. To date, 48,194 books have been donated in this way and sent to schools all over Turkey. Also school-stationery sets donated by Migros to the "They're All Our Kids" Association for the Support of Education & Instruction were distributed among needy children to support their education.

Under the "Clothes Donation Campaign" that Migros has traditionally been conducting jointly with Ariel (a P&G detergents manufacturer), the company has supported the donation of more

than half a million garments to 220 thousand children. Under this project, a complete set of brand-new holiday clothes is donated to a needy child for every Ariel branded item that is sold at a Migros store during the campaign period.

Accessible Store Project

In 2016, pilot studies began to take place in 25 stores as part of the "Accessible Store" project. In order to be able to meet the needs of hearing impaired customers, 50 employees, including managers and information desk workers, were given training on sign language. In 2017, it is planned to give sign

language training to 50 more employees. In pilot stores, at least one cash register was installed with a width of 90 cm and ramps were installed in store entrances to facilitate access for customers with walking disabilities. All registers in MigrosJet are wheelchair accessible and in addition, at least one cash register in all new Migros stores are designed for ease of access to wheelchairs.

OUR SUPPLY CHAIN



Indirect sustainability impacts from the retail sector supply chain can be classified as: impacts from production and distribution of products on climate change, impacts on biodiversity resulting from agricultural production, social and ethical impacts.

As a responsible retailer, Migros manages its supply chain induced

impacts. Adopting policies and measures accepted globally, Migros is working on reducing these impacts.

Migros aims to ensure sustainable quality and sector leadership and to offer reliable, affordable and high quality services to its customers. In line with this goal,

Migros became the first food retailer to have its five Quality Management System Certificates certified by the Turkish Standards Institute.



Migros Has Obtained The Following Quality Certificates:



Vocational trainings are provided to store employees about inventory, procurement and inventory management related to the supply chain. 1,454 store employees completed these trainings in 2016.

Migros comes together with its **1,200 suppliers** in the annually organized Business Partners Summit.

Expected Responsibilities from Suppliers

An online training on Responsible Sourcing Policy was prepared for all Migros employees in 2016 and 84% of all employees completed the training. Training topics included were what Migros expects from suppliers in terms of working standards, human rights, environmental practices and occupational health and safety and quality standards.

The compliance, approach and stance that Migros expects from its suppliers in terms of Anti-Bribery and Anti-Corruption and Human Rights and Equal Opportunity Policies have been clearly demonstrated. **Relevant policies have been made available**

to suppliers on Migros' B2B applications MeCom and MeMobil, which let the suppliers track their trade relations with Migros in a transparent and instantaneous way.

An online training was prepared and given to 1,106 suppliers using the platform on Anti-Bribery and Anti-Corruption, Human Rights and Equal Opportunity and Responsible Sourcing Policies. Furthermore, 1,200 suppliers were brought together in the annual

Migros Business Partners Summit where the annual evaluation and face to face communications of its corporate policies were held. Relevant policies have been translated into Russian, Kazakh and Macedonian, published on Ramstore websites in Kazakhstan and Macedonia, and policies have been communicated to both employees and suppliers. Migros' contracts with its suppliers in Turkey include a Code of Ethics that covers Bribery and Corruption Prevention, Human Rights Standards, Labor Standards, Occupational Health and Safety and Environmental Protection; and all suppliers are required to make a commitment to comply with these rules. In this context, it is strongly stated that the employees of the suppliers cannot

be subject to verbal, physical and sexual violence, forced or child labor and religion, language, race, gender discrimination. Also, it is demanded from suppliers that they give full support to freedom of association and the collective bargaining rights of employees. It is also expected from suppliers to be committed to not engaging in corruption and bribery. During the course of the partnership, Migros constantly checks whether its suppliers provide their employees with a safe and fair working environment, health and safety precautions, and pay their wages. Migros receives services from firms and companies that are legally established and operated and makes payment to these legally compliant firms, companies,

joint ventures and other business partners including agencies for their services.

Migros conducted
1,234 audits of

79.5%

of its main suppliers.



Quality Inspections for Suppliers

In order to ensure that the products offered to customers meet the Migros quality standards, product quality inspections in stores, warehouses and distribution centers are conducted and suppliers' compliance with the Responsible Sourcing Policy is monitored. In addition to regular audits to suppliers that are in the audit period; for some products, due to internal detection, customer complaint, official inspection, irregular deterioration, the suppliers of the products are deemed high risk and additional auditing is done. Migros conducted 1,234 audits of 79.5% of its main suppliers that make up 80% of its revenue, by an accredited independent external auditing firm in 2016. The rest of the suppliers are mostly importer companies and their products are controlled according to relevant regulations before they are put up for sale. Suppliers who are newly included in the system are subject to product safety audits for the first

year, and from their second year, they are also subject to ethical / social audits in addition to product safety.

In scope of the Migros Supplier Audit Program, ISO 9001 and ISO 22000 audits are performed during the first day; and on the second day, ISO 14001, OHSAS 18001 and SA 8000 audits are performed. Suppliers that do not get the necessary points in the audits are notified for the improvement. Contracts with suppliers that fail to pass the follow-up audits are terminated. Migros also evaluates its new suppliers with the same scope and makes the decision to work with a supplier only

after this evaluation. Audit results are reported to the senior management units responsible for supply chain working standards who are the CMO and the Distribution Centers and Logistics Directorate.

2016 audits results were as follows:

- As part of the ISO 9001 Quality Management System and ISO 22000 Food Safety Management, a total of 717 audits were performed and the overall average score was 78%. 140 follow-up audits were carried out and improvements were noted in 78% of unsuccessful firms.
- As part of the scope of the ISO 14001 Environmental Management System, a total of 517 inspections were carried out. The audit covers whether the supplier assesses environmental impacts of production and procurement processes, monitors and is in accordance with environmental regulations, environmental trainings of its employees, waste storage areas and waste disposal, recycling,

environmental incidents, disclosures to the Ministry and greenhouse gas emissions. The overall average score in the audits that took place was 75%. 121 follow-up audits were carried out and improvements were noted in 74% of unsuccessful firms.

- As part of the OHSAS 18001 Occupational Health and Safety Management System, a total of 517 inspections were carried out and the overall average score was 77%. 104 follow-up audits were carried out and improvements were noted in 71% of unsuccessful firms.
- As part of the SA 8000 Social Accountability Standard, a total of 517 inspections were carried out and the overall average score was calculated as 84%. 51 follow-up audits were carried out and improvements were noted in 78% of unsuccessful firms. As part of these audits; child or forced labor, working hours, freedom of association and collective bargaining, salaries and wages,

discrimination and disciplinary practices, pregnant and lactating mothers' working conditions, physical and psychological pressure to employees, maternity leave and breast-feeding permissions and use of annual paid leave are checked. In the inspections carried out with the supplier firms, one case of child labor was determined in the reporting year (textile). Two companies were suspected as potentially making use of long overtime and potential forced labor (electronics and textile). Warnings were given to those deemed higher risk suppliers for child and forced labor.

As a retailer of agricultural products, Migros places special importance on the producers and suppliers of produce. In this context, as a separate approach compared to other supplier controls, the company follows an inspection program with 4 different check lists related to production areas

and labor principles that also cover storage and packaging facilities. In this context, 96 supplier audits were conducted in 2016. The average success rate of companies audited in 2016 was 80%.

As part of the supplier audits for ethical and social compliance, it was determined that 38% of cases of non-compliance were about occupational health and safety, 12% were about working hours and wages and 8% about disciplinary practices.

Migros has not received any negative notices from an NGO or other external organizations during the reporting year regarding its supply chain.

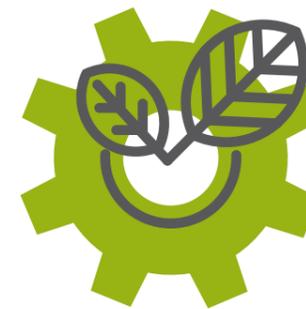
OUR ENVIRONMENTAL PERFORMANCE



Migros has created the Migros Environmental Policy with the aim of minimizing possible environmental impacts that may arise as a result of its operations. The company's vision

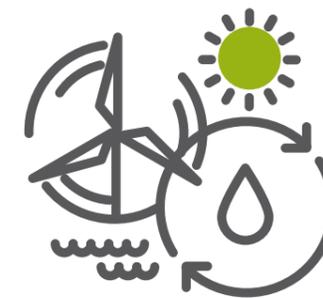
for environmental management involves ongoing management of environmental impacts, protecting biodiversity and engaging with suppliers to manage impacts

throughout the value chain and the execution of various projects and campaigns to raise general awareness.



In this context Migros,

- Continuously monitors, controls and reduces the amount of its environmental impacts arising from operations;
- Carries out studies to measure and reduce carbon footprint every year.
- Ensures compliance with



- environmental regulations and carries out environmental impact assessment before opening new facilities.
- Develops projects for efficient use of resources such as water and energy
- In line with its target of zero waste, Migros tries to convert all energy from waste generated by operations



- and for the benefit of the economy,
- Focuses on further improving supplier performance in order to foster sustainability throughout the life-cycle of all products delivering to the consumers, thus contributing to the protection of biodiversity.
- Carries out environmental impact assessment regularly before opening new facilities.

Migros continues to work with the goal of continuous improvement. In 2016, there were no incidents of non-compliance with environmental laws and regulations.

ENVIRONMENTAL MANAGEMENT



Migros' Board of Directors is responsible for determining the strategic approach to the environmental management of the company through a risk and opportunity based point of view. Migros' Sustainability Committee and senior management, who are responsible for the company's performance

on environmental issues, convert these approaches into improvement plans, projects and practices. They also determine quantitative and qualitative key performance indicators after the evaluation and monitoring of the resulting performance. Performance improvement studies on environmental issues are conducted

in line with its Environmental Policy and are reported to the Directorate of Logistics and Distribution Centers, as well as to the Sustainability Committee. These two organizations carry out Migros' environmental strategies, practices, performance assessments and present the results to senior management.



To promote the concept of sustainability to all Migros employees, a dramatized training, consisting of 4 stages called the "Sustainability Marathon" was created. In 2015-2016, 7,354 employees participated in the training and the top 25 employees

in Turkey who completed all 4 stages successfully were awarded with reward points. In 2016, Migros installed natural cooling systems, ran energy efficiency and system improvement activities, received sustainability consultancy, ISO 14001

certification and annual carbon emissions verification as part of its environmental management activities in which it invested TL 6 million in total.

CONTRIBUTION TO BIODIVERSITY

In 1992 Turkey signed the Convention on Biological Diversity, developed by the United Nations Environment Program (UNEP), approved in 1996 and put into force in 1997. Following this date, all statutory permits granted by the state cover biodiversity. Migros opens all its stores after legal permits and licenses are issued, and permits are given only after all environmental assessments have been made for the opening of the stores.

All Migros operations are located in urban areas and authorized by public authorities. Migros does not have any operational units in wetlands or areas of high biodiversity. As a result, Migros has not had any identified significant effects on natural water resources, land or natural habitats. However,

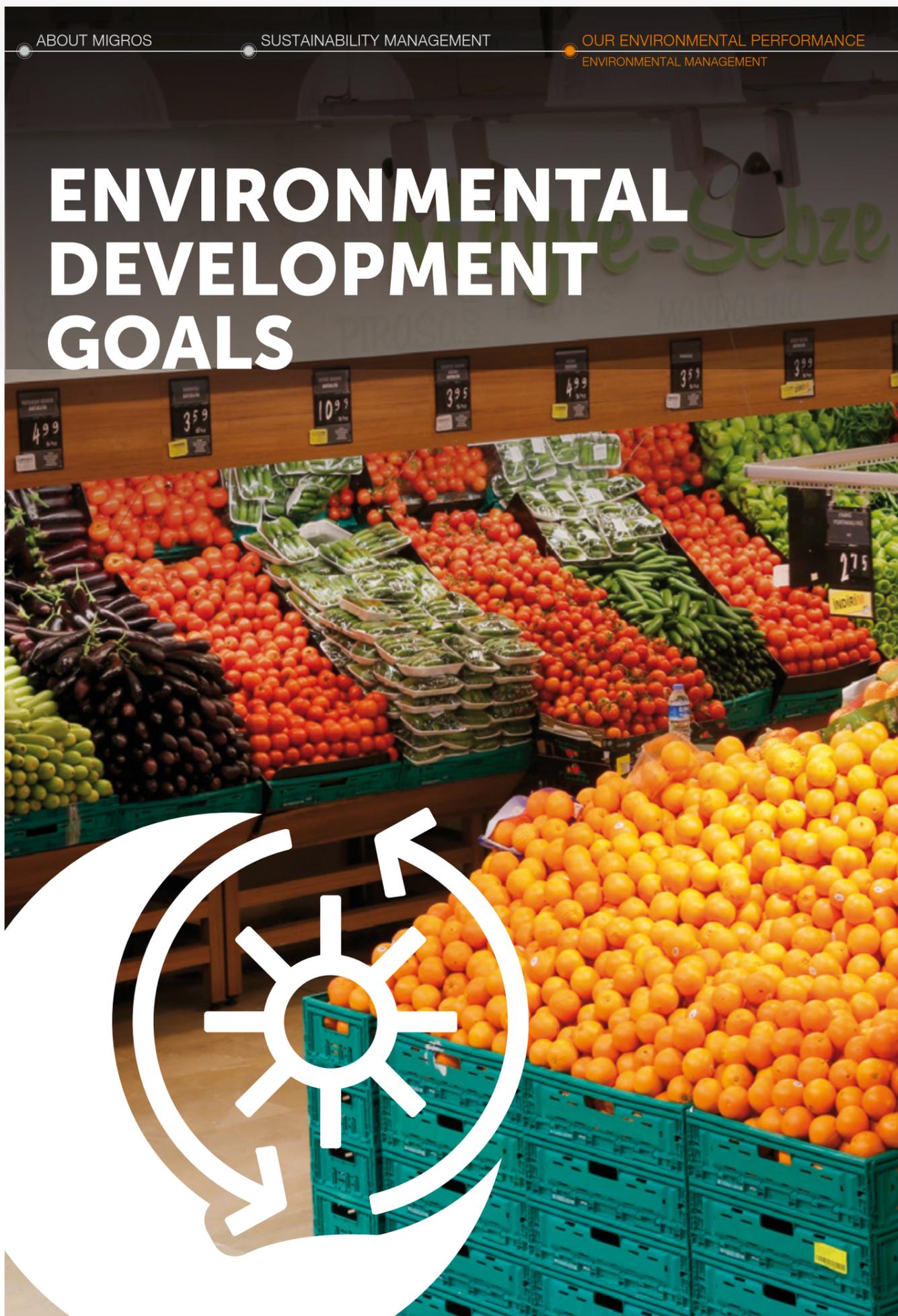
any physical activity will have some impact on the physical environment. Therefore, Migros is working to reduce all effects, even indirectly.

With this perspective, **Migros manages water consumption, waste discharge and solid waste carefully, supports recycling, develops social projects to increase public awareness and communicates with its customers so that they adopt responsible consumption preferences.**

As a retailer of agricultural products, Migros' most important potential influence in promoting biodiversity is through their supply chain. In this context, in order to manage its impact arising from the supply chain, Migros prefers using suppliers that have adopted Good Agricultural Practices, which helps them to contribute to the reduction of negative effects on biodiversity originating from agricultural production. In order to manufacture and produce safer agriculture products, Migros works on contributing to the development of alternative methods to combat pests and on removing the use of pesticides with Biological Fighting Techniques.



ENVIRONMENTAL DEVELOPMENT GOALS



After Turkey signed the Paris Agreement and agreed to reduce existing greenhouse gas emissions by 21% from the business as usual case by 2030, Migros set targets accordingly.

Migros was entitled to receive the ISO 14001 Environmental Management Standard Quality Certificate in 2016 and the related documentation covers the activities carried out in all domestic business

units. Migros commits to carry out its activities in accordance with these principles and review its Environmental Policy regularly.

Migros identifies its climate change and sustainability initiatives in the light of the Commitment and Principles of the CGF and reports to CGF. CGF is committed to reducing the impact of the industry's climate change through the fight against deforestation, dissemination of natural cooling systems and commitment to waste management. CGF reports the annual activities of all members publicly.

Main Goals

Target Year	Base Year	Commitment
2021	2013	Reducing electricity consumption per square meter of daily sales area by 11.5%
	2015	Reducing the carbon emissions per square meter of daily sales area by 11.5%
	2016	Reducing the annual water consumption per employee by 5%
2025	2015	Reducing the ratio of food waste disposal tonnage to total food sales tonnage by 50%

ENERGY MANAGEMENT



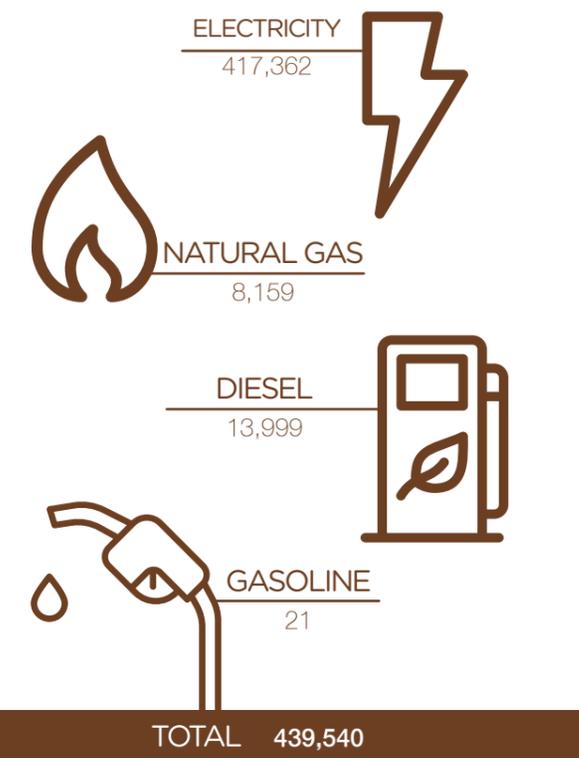
By 2021, Migros aims to reduce its energy consumption per m² of daily sales by 11.5% compared to 2013. Despite increasing the number of stores, 5.5% of this target was completed in 2016. Thus, energy equivalent to the consumption of approximately 88,000 households per month was saved.

Targeting a reduction in energy consumption of 1.5% in 2016 compared to 2015, Migros achieved a reduction of 0.8%. Despite improvements in energy efficiency, the reasons for not achieving the annual target at the foreseeable level are:

- due to the summer months in 2016 being 1 degree warmer, the use of cooler cabinets and air conditioning systems led to a 2% increase in energy consumption,
- due to the winter months being 1 degree colder in 2016, 0.5% more energy was consumed due to more intensive use of heating systems,
- In previous years the number of stores which had an M bakery section was 140, however this number was increased to 257 in 2016.

The total amount of electricity consumption in 2016 was 417,362.1 MWh. In 2017, Migros aims to reduce its energy consumption per m² of daily sales by 1.5% compared to 2016. There is no renewable energy production or consumption, and there was no heating, cooling and steam consumption or sales as a secondary energy source during the reporting period.

Energy Consumption by Source (MWh) - 2016



Electricity Consumption Reduction Target

Base Year	2015 - 2016 Actual	2021 Target	2013 - 2016 Achieved
2013	0.8% Decrease	11.5% Decrease	5.5% Decrease

Electric Energy Consumption Per Square Meter of Daily Sales Area (kWh)

2013	2014	2015	2016
1.186	1.144	1.131	1.121

ENERGY SAVING PRACTICES



By covering refrigerated cabinets in the stores, **6%** electricity saving; by replacing the old lighting fixtures in stores with new generation fixtures **8% energy saving** were achieved.

Direct impact from retail operations on climate change is due mainly to use of electricity and refrigerant gases. Lighting, air conditioning and cooling operations in stores and distribution centers generate greenhouse gasses. The source of indirect effects is transportation of products.

Energy consumption is measured daily, weekly and monthly and Migros takes measures to reduce energy consumption and greenhouse gas emissions. To control the energy consumption in these processes, first, a cooling automation system was built in 2009 and then an automation system that controls the air

conditioning and lighting system from the centers was installed. Over the last few years, these systems have become widespread in an ever growing number of stores and cooling, air-conditioning and lighting processes were made trackable from more points and remote controlled.

Number Of Stores with Automation Systems

	2014	2015	2016
 Cooling Automation	938	1,178	1,317
 Air Conditioning Automation	619	814	937
 Lighting Automation	398	578	706

To reduce energy consumption and greenhouse gas emissions in new and renovated stores, variable flow control and high level automation efficient systems are preferred and environmentally friendly cooling systems are used for air conditioning and industrial cooling systems. Using daylight lighting systems in suitable stores, the maximum benefit from sunlight

is achieved and by painting store rooftops with a particular heat insulator dye, which reflects sunlight, the formation of heat islands is prevented. Motion sensor lighting systems are used in the storage units.

In 2016, 385 stores located in Istanbul and Aegean Region were fitted with covers for all cooling

cabinets during format conversion. Thus, by covering refrigerated cabinets in all stores except Macrocenters, 6% electricity saving per store was achieved. In addition to that, old lighting fixtures in stores were replaced with new generation fixtures in 126 stores, which provided a total energy saving of 8% per store.

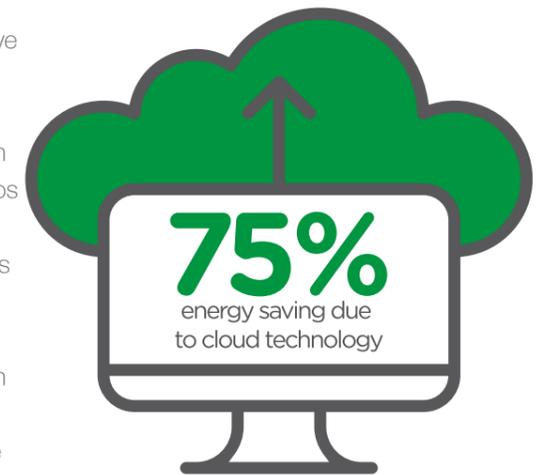
GREEN IT POLICY



Within the Green IT concept, Migros reached its goal in 2016 by replacing 90% of conventional desktop computers with a thin clients, and traditional desktop computer screens with thin screens. The use of these new generation devices provides energy savings of 80% each year. End of life devices have been recycled. In total, 47 tons of electronic waste were recycled during the conversion process. Migros' Green IT policy and practices include replacing centralized servers with new-generation hyper-integrated servers, server virtualization, and cloud technology deployment. As a result of these changes,

energy saving of 75% have been achieved.

GHG emissions mitigation is also an issue that Migros takes into account during job interviews related to its operations in Turkey. By using video conferencing wherever feasible, Human Resources can interview job applicants without the need for physical travel. This reduces the company's carbon emissions associated with vehicular transport to a significant degree. Around 3,000 job interviews were conducted via



teleconferencing during 2016. In addition, more than 50% of the company's intercity business meetings were teleconferenced last year, substantially reducing unnecessary business travel.

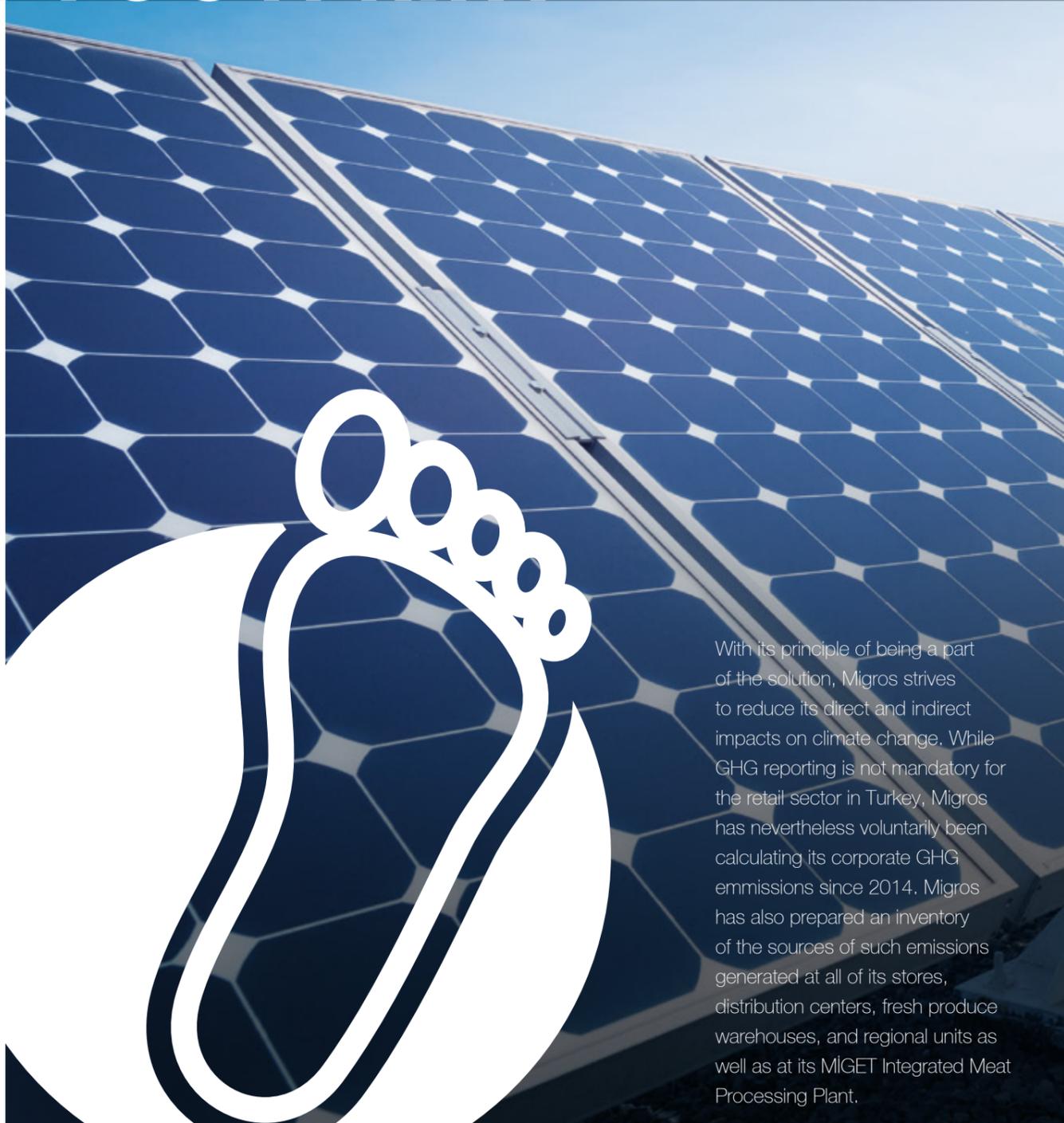
Turkey's First LEED Certified Store

Bodrum Maya Migros store, which was built in accordance with the LEED (Leadership in Energy and Environmental Design) standards, is the first retail store in Turkey to achieve LEED Gold certification. Migros Bodrum Maya was

awarded in 2013 with the award "Soysal Retail Sun" in the category "Environment and Sustainability". Alaçatı Macrocenter store also received the LEED Gold Certificate in the Operations and Maintenance category.



CARBON FOOTPRINT



With its principle of being a part of the solution, Migros strives to reduce its direct and indirect impacts on climate change. While GHG reporting is not mandatory for the retail sector in Turkey, Migros has nevertheless voluntarily been calculating its corporate GHG emissions since 2014. Migros has also prepared an inventory of the sources of such emissions generated at all of its stores, distribution centers, fresh produce warehouses, and regional units as well as at its MIGET Integrated Meat Processing Plant.

Migros aimed to reduce CO₂ emissions of "Scope 1 and Scope 2" by 1.5% and **realized 2.1%**.

Migros calculates and reports its annual GHG emission intensity in terms of "carbon emission equivalent (kgCO₂e) per m² of daily sales area" in order to be able

to track emission performance independently with other growth parameters. In 2016, Migros aimed to reduce carbon dioxide emissions of "Scope

1 and Scope 2" per square meter per day by 1.5% compared to 2015 and realized 2.1%. In 2017, it has decided to keep this target the same with 1.5% reduction.

Corporate Greenhouse Gas Emissions by Year in Turkey

	2014	2015	2016
Corporate Greenhouse Gas Emissions (mtCO ₂ e)	380,726	484,716	527,309
Scope 1 Emissions (mtCO ₂ e)	148,663	228,541	247,915
Scope 2 Emissions (mtCO ₂ e)	187,592*	192,318*	207,429
Scope 3 Emissions (mtCO ₂ e)**	44,471	77,655	87,149
Carbon Emission Per Square Meter of Daily Sales Area (kgCO ₂ e)	1.06	1.25	1.23

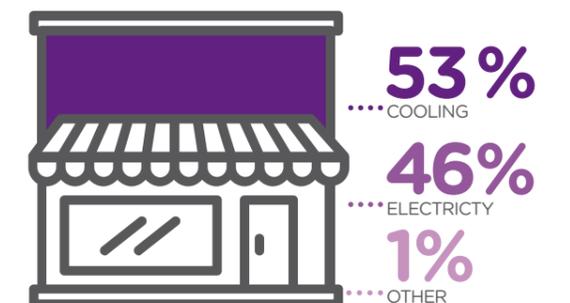
* The emissions from the previous years have been recalculated based on the current Turkey electricity emission factor.

** Scope 3 emissions include emissions from business flights, waste from operations, transportation, virtual market tools, personnel services, customer service and energy-related emissions not covered by Scope 1 and Scope 2 activities.

Migros' Scope 1 and Scope 2 emissions caused by primary energy consumption and purchased electricity have been confirmed by TUV-NORD Germany in a verification that was based on the ISO 14064-3 standard and GHG protocol, and documented with an accredited certificate (DakkS).

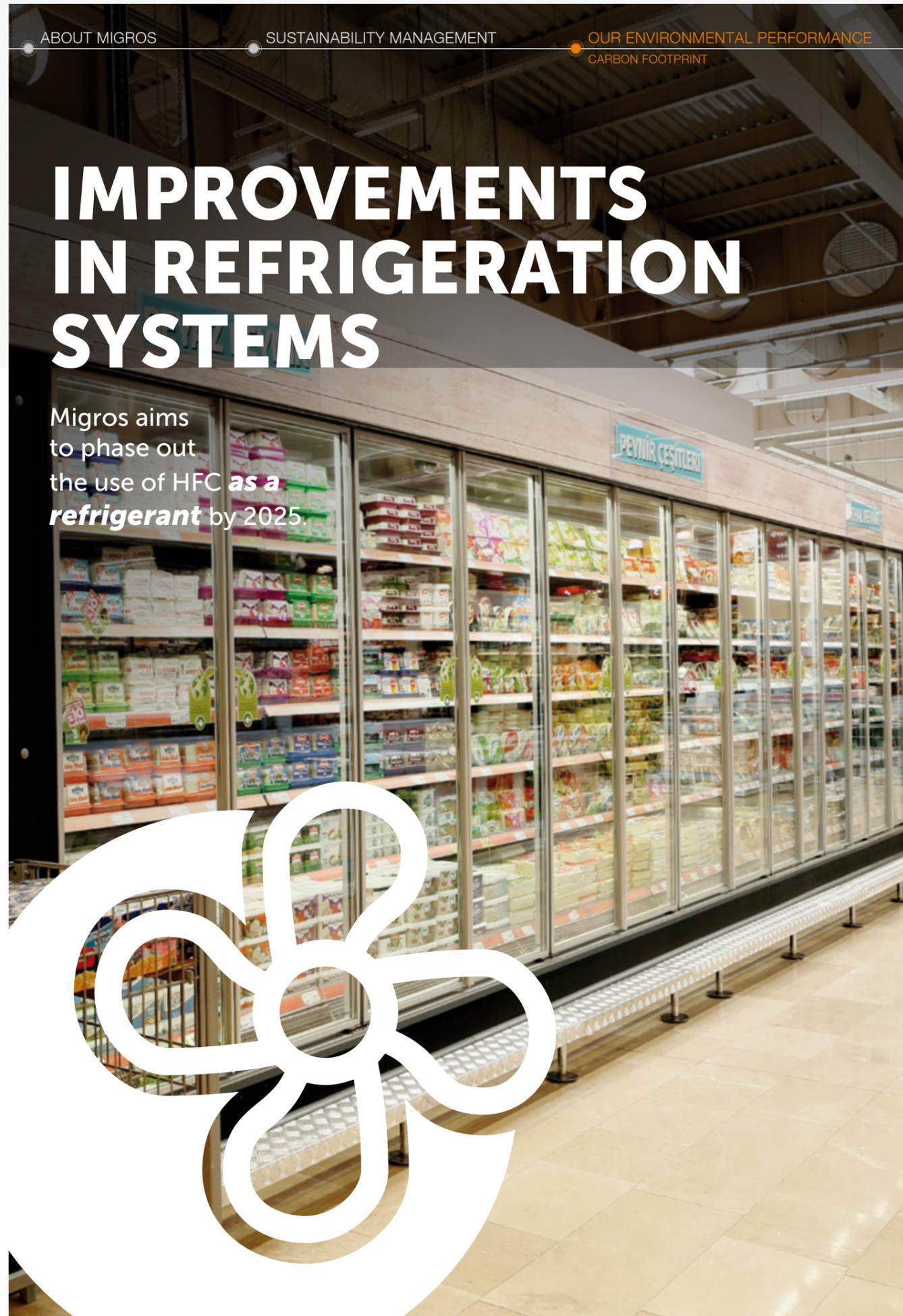
Greenhouse Gas Emissions by Activity Type

Activity Type	2015 (tCO ₂ e)	2016 (tCO ₂ e)	
Scope 1	Heating	863	1,704
	Cooling	223,876	242,685
	Transportation	1,967	2,086
	Generators	1,836	1,440
Scope 2	Electricity	192,318	207,429
Total	420,859	455,344	



IMPROVEMENTS IN REFRIGERATION SYSTEMS

Migros aims to phase out the use of HFC as a **refrigerant** by 2025.



By using the refrigeration system with natural refrigerants to which Migros holds a patent, reduces the risk of **CO₂ emission to nearly zero.**

The refrigeration systems widely used by retailers are big contributors to greenhouse gas emissions all over the world. Because of this, Migros avoids using man-made refrigerants in refrigeration systems and it also focuses on using new-generation systems that are more efficient.

At its MIGET meat-processing plant for example, Migros uses ammonia rather than HFC as a refrigerant. The company's use of this naturally-occurring gas prevents the release of close to 288 tons of harmful greenhouse gas emissions a year.

In 2015 a pilot project was carried out at the Taşdelen Migros M store in which glycol rather than HFC-R404a was used as a refrigerant in the store's refrigerated cabinets. In this system, glycol is used to chill individual cabinets. This

results in much safer and more efficient cooling as compared with HFC-R404a-refrigerated cabinets because it reduces the amount of gas that needs to be circulated through the cabinets in a store (and the associated risks of leaks) by about 90%.

In the studies carried out in Çekmeköy Koru store in 2016, the system was taken a step forward with the introduction of a system in which water is chilled using propylene glycol, a food-safe antifreeze, is circulated through the refrigerated cabinets. This system which has been documented as 'Beneficial Invention' and to which Migros holds a patent, uses 100% natural refrigerants and also minimizes harmful emissions that might otherwise be caused by refrigerant leaks. By using natural materials like water and propane,

the risks of several dozen tons of CO₂ emissions/store on average have been reduced to nearly zero. In the Şile Doğanlı store, the traditional cooling system was retrofitted with a water cycle system conversion and the amount of coolant gas used was reduced by 60%. The system, currently being used in 2 stores, is targeted to be used in 3 more stores in 2017. In 2021, the number of stores operating with this system is planned to be increased to 25.

In addition, in 2016, the use of gas leak detectors was made compulsory for maintenance, and Migros also started to monitor gas usage amounts on a monthly basis by maintenance company and sales m². In order to reduce gas leaks, the cooling systems of 18 Migros stores have been renewed.

SUSTAINABLE DISTRIBUTION SYSTEM



A significant source of energy consumption and greenhouse gases in the retail sector is product logistics. To minimize these effects, Migros implements logistics optimization projects. Every year the routes between distribution centers and stores are monitored and route optimization is made and as Migros, new distribution centers are opened according to the results of these analyses. Within the framework of Migros' centralized

distribution strategy, 80% of all products it sells are transported to stores with fully loaded trucks. Migros reduced the truck traffic by up to 30 times by directing the products to its distribution centers.

Migros has a "reduction target of CO2 emissions per unit transported" in order to reduce the environmental impact of the company caused by distribution center deliveries.

As a result, the company achieved a reduction of 0.54% in 2016 compared to the previous year. In 2017, a 1% reduction is targeted compared to 2016 results. In 2021, a reduction of 3.5% CO2 emissions per unit transported is aimed at compared to 2015.

CO2 Emissions Per Unit Transported in Distribution Center Deliveries (kgCO2e)

2014	2015	2016
0.0374	0.0366	0.0364

In 2015, the company has begun utilizing electric vehicles both in its distribution operations and to make deliveries from its online store. In 2016, the goal of adding 10 new vehicles to the Migros Sanal Market vehicle fleet has been achieved and the fleet of Migros Sanal Market electric vans has reached 17.

WATER MANAGEMENT



Migros strives to improve water efficiency and to comply with the requirements of laws and regulations to prevent the environmental impact of waste water resulting from company operations. To this end, the amounts of water used in stores, service areas, and production facilities are monitored and reported on a monthly basis. Water consumption is reduced through the use of more efficient machinery and equipment.

In Migros' operations; stores, headquarters, distribution centers, fruit and vegetable warehouses and MIGET and Gebze Meat Production Centers' operational water consumption is monitored. The amount of water consumption of the company is followed via the water meters installed in stores in cubic meters. In all operational units, Migros aims to reduce water consumption by monitoring water consumption on a monthly basis

and by using efficient equipment. In 2016, the company began monitoring and reporting its water use on an average per-capita basis and it aims to reduce this figure by at least 5% up to 2021. Special screens were developed for entering the water consumption data from every store on the intranet of the company. With the awareness raised, in 2016, water consumption has been reduced by 5% per capita compared to the previous year.

Water Consumption

	2014 (m ³)	2015 (m ³)	2016 (m ³)
Total water consumption in all business units	535,900	637,533.67	691,799
Annual water consumption/annual employee number	2.72	2.75	2.61

The majority of water used in the operations is retrieved from the municipal water networks, only 1.95% of water use is from wells. There is no significant water source affected by the company's water use. The waste water generated in the stores is discharged to the sewage system. Gebze Şekerpinar and Kemalpaşa Distribution Centers have waste water treatment systems. Waste water generated in Gebze Şekerpinar is discharged to the sewer system and waste water of Kemalpaşa is discharged to Nil River after reducing its pollution level well below the legal treatment plant limits. 98.4% of total water consumption is discharged to the sewage networks. Thus, Migros ensures that there is no significant effect on biodiversity quality of water resources as a result of their operations.

2016 Water Sources Breakdown



SOLID WASTE MANAGEMENT



Types of Waste and Disposal by Year

	Waste Type	Disposal Type	2014* Amount (ton)	2015 Amount (ton)	2016 Amount (ton)
Non-Hazardous	Metal	Recycling/Recovery*	-	1,924	1,289
	Wood	Recycling/Recovery*	-	4,380	4,870
	Paper	Recycling/Recovery*	-	2,514	1,908
	Plastic	Recycling/Recovery*	-	784	463
	Glass	Recycling/Recovery*	-	264	54
	Electronic (non-hazardous)	Recycling/Recovery	35	58	88
	Organic	Reuse/Animal Feed*	-	58	101.3
	Organic	Biogas/Composting	6,216	5,728	4,772
	Organic	Delivery to the Municipality	13,161	19,084.60	20,552
	Organic	Haytap Donation**	20	35	45.3
Hazardous	Electronic (hazardous)	Recycling/Recovery	35	39	17
	Batteries	Recycling/Recovery	0.917	1.24	2
	Vegetable Oil	Biodiesel	20.73	19	24
	Medical Waste	Incineration*	-	9	34
	Miget Waste	Incineration*	-	1.7	2.1
Total			19,486	34,900	34,222

*In 2014, hazardous and non-hazardous waste quantities have not been reported for certain types of waste due to limitations in data availability.

** Animal Rights Federation

IN SUPPORT OF RECYCLING



Effective waste management is one of the most important ways to prevent both natural resource depletion and the harmful impact of waste on human beings and wildlife. In 2011, Migros joined forces with Boğaziçi University to create an integrated waste management system with the ultimate aim of reducing waste to zero. Under this system, the company seeks to economically utilize the waste generated by operations. The company also strives to involve its employees, customers, suppliers, and other stakeholders in environmental awareness efforts in order to ensure the sustainability of its value-creation chain.

Under the "Bring Us Back to Life" project that was initiated at the company's headquarters in 2015, discarded packaging, paper, and glass as well as organic waste are sorted/segregated at source for

recycling. In 2016 the scope of this project was expanded to include Migros' regional divisions as well. Non-hazardous waste consisting of metal, wood, paper, plastic, and glass that is generated by the company's operations is likewise collected, segregated, and sorted at source and then sent to licensed firms for disposal or reuse as appropriate. In collaboration with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO) the packaging materials used for Migros' private-label products are also collected and recycled. In 2016, 3,455 tons of packaging waste belonging to Migros' private-label products were collected. In this context, Migros has an updated improvement target every year. By meeting the target for 2016, 52% of the packaging waste of private-label products were recycled. This target



has been raised to 54% for 2017. In 2021, 60% recycling is targeted.

As a result of all of these efforts on Migros' part, 12,038 tons of waste wood, paper, metal, plastic, and glass were recovered and recycled in 2016. It is calculated that this corresponds to saving 70,608 trees from being harvested or to having conserved the electricity that would be used by 16,250 families in one year.

ENVIRONMENTAL KIOSKS AND WASTE COLLECTION CAMPAIGNS



Through the Environmental Kiosks, Migros encourages its customers to sort their glass, metal, and paper waste so **that it can be recycled.**

Since 2010, the year in which Migros originally launched its Environmental Kiosk program, 8.4 million pieces of packaging waste have been collected. In return for the waste that they put in the kiosks' bins, customers can make a donation to the World Wildlife Fund or contribute to the Aegean Forest Foundation's tree-planting efforts. In 2016, Migros planted 227 trees thanks to the recycled wastes brought by its customers. The adoption of endangered sea turtles is a project aimed at biodiversity conservation started in 2012, in cooperation with WWF. Also, including Migros customers in the collection of waste, Migros has increased the financial support they give for the protection of green turtles in the IUCN's Red List. 143 sea turtles were adopted in 2016 thanks to Migros customers who made donations to WWF by recycling their waste.

Waste oils cause pollution in clean water and make them unusable. To prevent this, Migros is running a project in order for its customers' waste oils to reach authorized firms. Customers' waste oils are collected

via vegetable oil collection bins in Migros stores and are sent to a firm authorized by the Ministry of Environment and Urbanization for production of biodiesel. Migros raised the number of stores offering this service to 805, up from 300 in 2015. In 2016, 24 tons of vegetable waste oil were sent to authorized firms. Collected waste oils also help cleaning the seas via TURMEPA Clean Sea Foundation.

Because of their potential environmental impact, preventing hazardous waste like batteries and electronic equipment from being casually thrown away in the trash is another important aspect

of waste management. Special battery-collection bins have been installed in all stores. The discarded batteries that accumulate in these bins are sent to TAP, the Portable Battery Manufacturers and Importers Association, which is licensed by the Ministry of Environment and Urbanization to accept and dispose of them. During 2016, a total of 2 tons of discarded batteries were collected and disposed of in this way. Migros also demonstrates its leading position in the retail industry through the program that it conducts to collect electrical and electronic waste. The electrical and electronic waste that customers bring to these stores is turned over to the recycling centers of ministry-licensed organizations. During 2016, a total of 105 tons of electrical and electronic waste were collected and recycled in this way.



Contributing to efforts to promote waste sorting and recycling habits among schoolchildren, Migros donated a waste collection stand to the Necla Mithat Öztüre Primary School in Adana's Yüreğir Township.

PREVENTING WASTE AND COMBATING DEFORESTATION



In order to prevent the generation of secondary (non-consumer) packaging materials, Migros began using reusable folding plastic crates to transport fresh fruits and vegetables in 2013. This practice was expanded to include red meat in 2014. These reusable crates help reduce the CO₂ emissions generated in the course of transport and production processes. Printed advertising and marketing

2015, all inserts and booklets made for Migros have been printed on recycled paper. It is calculated that the 1,100 tons of recycled paper used in this way in 2016 prevented the harvesting of 18,700 trees.

In order to further reduce the impact on the environment, Migros encourages its customers to use mobile Money Club Cards instead of a physical plastic card. In 2016, the usage rate of Mobile Money Club Card was targeted to reach 35% of the shopping transactions with card and the target was exceeded and reached 41%.

In order to reduce paper consumption in Migros store operations, the company has begun to use a tablet-based app called "MiO". This app makes it possible for store managers to access a variety of information and analyses and to display day-to-day routine reports digitally rather than having to print it out. Use of these tablets was expanded to include store employees as well in 2016. Besides improving work processes, it is calculated that this practice saves 42.5 tons of paper a year.

Sustainable papers are preferred in photocopy papers used in Migros General Directorate. Photocopy machines work with employees' identification cards, thus avoiding unnecessary printing.

In addition to the other projects that it undertakes to combat deforestation in general, Migros also works with the Aegean Forest Foundation in various ways. For example, over the last nine years the company has planted saplings in order to replace thousands of trees that were destroyed by fire in Dikili, Torbalı, Şirince, Çeşme, Seferihisar and Urla. In 2016, Migros planted 11,200 saplings and the number of planted saplings in total reached 540,650. Migros customers who purchase designated merchandise earn points which they can donate to the foundation to support the planting of trees in Migros Customer Forests. Migros also supports the Aegean Forest Foundation by allowing foundation-branded products to be sold in its stores, the proceeds from which help the foundation to finance the creation of new forested areas.



materials have been resized and redesigned in order to make them less resource-intensive. Since April

SOLUTIONS THAT ENCOURAGE CUSTOMERS TO BE ECO-MINDED



Migros contributes to efforts to reduce greenhouse gas emissions by encouraging its customers to replace their incandescent lightbulbs with LED lamps. Customers taking part in this program in 2016 replaced 380,000 conventional bulbs with LED devices, thereby 55% energy efficiency provided and conserved 2.28 million watts of electrical energy.



55%
energy efficiency provided with LED devices

	2014	2015	2016
Number of Conventional Bulbs Replaced with LEDs	350,000	95,000	380,000
Energy Saving	2.1 million watts	570 thousand watts	2.28 million watts

In addition, Migros, which sells reusable, environmentally-friendly shopping bags and cloth bags in stores, has sold 110,810 green bags, green non-woven bags and cloth bags in 2016. The company is the first retailer to launch eco-friendly bags. All the bags offered to customers at Migros stores are biodegradable. Migros works on reducing the consumption of plastic bags and has achieved a

remarkable success. The number of bags used per customer in 2014 was 1.870, 1.790 in 2015, and 1.775 in 2016. Migros is committed to reducing the number of bags per customer to 1.765 by 2017 and to 1.744 by 2021.

Seeking to promote eco-awareness among all of its stakeholders, Migros has included ISO 14001 Environmental Management

System criteria in the quality-audit specifications that it requires its suppliers to comply with. The company's suppliers are asked to report the environmental impact of their own operations and those who do not satisfy the company's expectations are asked to improve their performance.

PREVENTING FOOD LOSS AND WASTE



Having initiated a program in 2015 to bring itself into compliance with the Food Loss & Waste (FLW) standard published by the Consumer Goods Forum (CGF), Migros has begun to categorize FLW as specified by that standard, to calculate the amounts of waste, and to analyze the results so as to achieve a better management performance. The company has committed itself to reduce the ratio of its food waste disposal tonnage to total food sales tonnage by 2025 by 50% compared to 2016.

Migros conducts a multi-stage large-scale study to reduce food waste called "Respect Food" project. In line with this, Migros is also working on associated projects under the individual headings of supply chain, point-of-sale, and customer information.

The organic waste that accumulates

in stores is used to generate energy or make compost or is otherwise sent to the local municipality for disposal. During 2016, Migros had 4,772 tons of organic waste that was generated by 191 stores and its Bursa produce warehouse separated at source and then sent for conversion into biogas. The resulting energy would likewise

have been enough to keep a single 100-watt bulb burning for 10 million hours.

Food products which have passed their sell-by date and which cannot be returned to the manufacturer are sources of organic waste, which it is the company's policy to reduce or prevent.

Migros has committed to reduce the ratio of food waste disposal tonnage to total food sales tonnage **by 50%**.

Organic Waste Recycling

	2016
Organic Waste Sent to The Biogas Plant (tonnes)	4,772
Biogas Equivalent (m ³)	477,200
Compost Equivalent (ton)	2,776

Migros sells at a discount of between 25% - 50% to accelerate the sales of fresh food products such as meat, poultry, dairy products and some vegetables and fruits that are approaching their expiry date. In this context, a total discount of TL 3.9 million was applied to related products in 2016.

Since 2014, Migros has been working with the Animal Rights Federation (HAYTAP) to conduct a project with the aim to use food products which have approached their sell-by date but which are still edible in order to feed wildlife,

stray animals, and animals kept in shelters. Such food is turned over to HAYTAP in support of the organization's efforts. As a result of this project, 45.3 tons of food gathered from 338 Migros stores located in 40 of the country's provinces were provided to HAYTAP. Since the beginning of the project, food donation has reached 100 tonnes. Migros donates some of its food products that are suitable for consumption but removed from sale to farms for use as animal feed. In 2016, 101.3 tonnes of food were recovered from loss as animal feed.

Migros renewed its logistics system in order to prevent food losses and productivity in operational processes and made Gebze Distribution Center serve 40% of the Marmara Region completely smarter with an investment of 20 million TL. While previously, a product needed to be contacted 12 times, this number was decreased to 5 at Migros. It is aimed to decrease the loss rates significantly by this system which delivers the product directly to the shelf, by not transporting boxed but individually in the amount that is going to be sold.

MIGROS EMPLOYEES CONTRIBUTE TO ENVIRONMENTAL WELLBEING



In both 2014 and 2015 Migros staged "It's Our Environment/It's Our Shore" events in which volunteering Migros employees picked up trash along the waterfront in Caddebostan on the Asian side of İstanbul and in Bakırköy on the European side while also interacting with the public and promoting eco-awareness. In 2016 this volunteer program was taken south to Turkey's Aegean region where Migros employees picked up trash from beaches in Yeni Foça, Edremit-Altınoluk, Fethiye-Çalış, and Bodrum-Turgutreis. Graduates from the Stage Design Department of the Dokuz Eylül University Faculty of Fine Arts joined in the effort to promote environmental awareness by fashioning sculptures of starfish and sea tortoises from the litter that was collected. These sculptures were subsequently displayed at Migros stores in the same localities.



APPENDIX

I. Sustainable Development Goals Map

Sustainable Development Goals	Migros Sustainability Priority Topics	Page
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II. Anti-Bribery and Anti-Corruption Policy

103-1, 103-2, 103-3, 205-1

1. Purpose

As Migros, at the core of our corporate responsibility approach lies compliance with laws and corporate governance principles. With our commitment to high ethical standards and the Migros Ethics Rules, we work together as a whole to prevent bribery and corruption.

With this policy, which is a supplemental part of the Migros Ethics Rules, we aim to present our commitment and our approach to this subject very openly and clearly.

2. Scope

The Anti-Bribery and Anti-Corruption Policy does not just concern the company's employees but all business partners who act on behalf of the company or provide services to the company.

The following groups are within the scope of this policy:

- All company employees including the Board of Directors,
- Supplier and contractor companies,
- Outsourcing companies and employees,
- People and companies that work directly or indirectly for the company like representatives, distributors and agencies are all in the scope of this policy

3. Responsibilities

Company Management;

Our Company Management provides the necessary support for this policy to be implemented and creates and develops the internal control systems necessary to prevent bribery and corruption. It makes sure the necessary communication channels for reporting policy violations is established, and takes precautions to maintain the privacy and safety of the individuals who report such violations.

The management makes sure that the necessary examinations and investigations are conducted concerning any complaints, warnings and claims that are submitted. They make sure audits are conducted to check compliance with laws, regulations, procedures and that policies and corrective actions are taken.

The Administrators, Employees and Business Partners

All of our employees are obligated to accept our Policy on Anti-Bribery and Anti-Corruption and act in accordance with the principles that are specified in our policy.

The administrators are responsible for making sure that the principles in this policy are understood by the employees and business partners under their charge and direction, are implemented and maintained and that any complaints, warnings or claims are notified via our company's communication channels.

Employees cannot, under any circumstances or by anyone, be forced to act against this policy. All company employees are responsible for reporting violations of this policy and any suspected situations to their administrators and/or the company communication channels.

If people and companies related to Migros are involved in any acts that are not legal or ethical our company will also be liable; therefore all of our business partners, especially suppliers and contractors, are expected to act in compliance with laws and regulations as well as to adopt the Migros Ethics Rules, relevant directives and procedures and this policy's text and rules

4. Fighting Against Bribery and Corruption;

As Migros, we make it our principle to comply with the universal legal rules, laws and regulations that relate to bribery and corruption and the ethical and professional principles in all of the countries where we operate and are represented.

This policy reinforces the execution of all our operations in compliance with laws, regulations, procedures, the Migros Ethics Rules and other regulations in a correct, fair and honest manner. It has been implemented in line with our sensitivity for making sure the rights of all our stakeholders are protected.

We, as Migros, prohibit all bribery and corruption in our operations in all countries where we operate or are represented. It is prohibited for all those covered by this policy to propose any payment or object of value in order to gain any benefit in an illegal or unethical manner, even if it would be in favor of the company, or to accept such a benefit from other companies or individuals, or to be involved in any illegal or unethical acts that could be considered

to be bribery or corruption, even if such practices exist in that country or branch of work.

We protect the legal rights of government agencies, our suppliers, our customers, our employees and our other stakeholders. Regardless of the monetary value or occurrence of the requested favor, even if the value of the benefit is very low or the commitment promised in exchange has not been realized yet, a related subject is considered as an act of violation of the Anti-Bribery and Anti-Corruption Policy.

In addition to bribery and corruption being acts that are a violation of business ethics, any incident would be dealt with punitively by Migros. As a consequence, our employees are expected to treat these topics with vigilance and consider them to be their personal responsibility both in and outside their professional life.

With our open door policy, if the Migros Ethics rules or the Anti-Bribery and Anti-Corruption Policy are violated, our employees and other stakeholders can contact our administration directly through our communication channels. If our company sustains a loss due to the violation of these rules, we also have rules for taking action concerning our employees and protecting their rights.

4.1. Main Areas of Risk concerning Bribery and Corruption Acts

Migros sees bribery and corruption as part of risk management applications and these issues are investigated with a risk focused approach through our internal audit system. The risks that are identified and their potential impacts are subjected to assessment throughout our internal audits. Also our company evaluates corruption risks in the scope of high risk jobs from the aspect of employee bribery.

4.1.1. Gifts and Hospitality

Our employees are responsible for complying with laws and regulations and rejecting any gifts such as objects, services, cash and checks from third parties that could affect the preferences and decisions of our company or are given for this purpose for conducting the work in their own field of responsibility no matter what the value is. Our employees may not propose any gifts, hospitality or other offerings that could be or are given for the purpose of affecting the decisions of other companies concerning our company. All of our employees are responsible for being careful about the issues that are specified in the company publications concerning rules on gifts and hospitality and for acting in compliance with the Migros Ethics Rules.

4.1.2. Intermediaries

Since an act of corruption committed by third parties could even be considered to have been committed by Migros, sufficient and careful monitoring must be done to make sure that intermediary companies have the right

qualifications for the work they are conduct and business partnerships need to be established with companies that will act in compliance with our company policy and not damage our reputation.

4.1.3. Those who work in Representation, Suppliers and Contractors

People who work in representing our company by establishing a relationship with Migros and all suppliers and contractors are expected to accept compliance with all legal regulations and all laws on bribery and corruption that are in place.

People acting as an agent of Migros who provide management consultation and are involved in operations like accounting, payroll, information technologies or facilities management must not establish relationships with people and/or companies like suppliers and contractors that they suspect to have offered bribes; and if they have such a relationship should end it immediately upon learning of such a situation.

4.1.4. Political Donations

At Migros, it is illegal to make any payments as well as provide any financial and/or in kind benefit to political parties, politicians or any company to obtain an advantage in procedures.

4.1.5. Contributions for the Purpose of Aid and Sponsorships

Any contributions and sponsorships requested from Migros for the purpose of providing aid must be legal and in accordance with the regulation, policy, directive and rules issued by Migros. All contributions and sponsorships for aid must be made in a transparent and open manner. This is achieved by determining transparent criteria for the selection of recipients and listing large donations that are made publicly.

4.2. Encountering or Suspecting Bribery and Corruption

All of our employees are responsible for reporting any situations of bribery and corruption they encounter or suspect to their supervisors and/or our company communication channels immediately.

Employees are responsible for reporting any of the situations listed below.

- If a bribe is offered to any of our employees or their colleagues
- Any relationship of benefit and/or conflicts of interest that our employee witnesses or knows
- Any kind of non-compliance discovered in the company's records
- Any attitude or acts that can be construed as patronage or backing interests in tenders and purchase-sales
- Providing any benefit to any of our customers or suppliers in violation of legal regulations and our internal

procedures

- Any company or individual within the company or outside forcing our employee or their colleagues to act in violation of the Migros Ethics Rules.

Migros customers and business partners may forward their notifications about ethical issues by e-mail via etik@migros.com.tr.

4.3. Sanctions against Acts and Attitudes of Violation

Just as all regulations, procedures and instructions are carried out in full, in all jobs, the Anti-Bribery and Anti-Corruption Policy must be adopted and implemented by all stakeholders covered by this policy.

Any violation of our "Anti-Bribery and Anti-Corruption Policy" by suppliers or contractors results in the termination of our work contract.

Any violation of these rules by our employees is handled by our departments including Human Resources, Internal Audit and Legal Department and reported to Migros Management. If these rules are violated by our employees who are union members, disciplinary meetings are called in which union representatives are present in accordance with collective employment contract rules. Any violation of Migros Ethics Rules or our Anti-Bribery and Anti-Corruption Policy by an employee may result in the termination of their employment contract.

4.4. Monitoring and Reporting

The Migros Ethics Committee meets four times a year with the participation of senior level administrators to evaluate internal audit findings on corruption and bribery and issues concerning ethics principles. When high level risks are identified the Migros Ethics Committee that meets with the participation of senior level administrators evaluates these risks. As part of our corporate governance our Audit Committee and Ethics Committee prepares reports on our policy of combating bribery and corruption for our senior administration

III. Health and Nutrition Policy

102-2

1. Purpose

As Migros, we have a major role in better life quality with our customer-oriented, people-focused approach, sensitive to the community and environment, reliable, innovative and efficient in both our national and international operations.

In line with this approach, we provide a wide product portfolio that supports a healthy and good life ensuring the high level of quality expected by Migros' customers.

2. Products that Support Good Living

We provide a diverse portfolio of quality products for our customers in order to meet the expectations for a healthy and good life. We aim to make products that support good living more accessible to our customers, thanks to our increasing number of stores, as well as the product range and brand selections we offer.

In our stores that have a suitable place for such a section, we create "healthy and good living" sections for our customers.

We have a variety of brands and products that offer easy access to foods that are organic, sugar-free, gluten-free, lactose free, or with reduced sugar, fat, salt or calories and portions that have been adjusted for a single serving. At occasions such as World Celiac Day and Diabetes Week, we organize campaigns with relevant products to create consumer awareness

2.1. Certified Product Activities

As Migros, we aim to cooperate with our suppliers and government agencies to provide our consumers with healthy and safe products and to contribute to the healthy nutrition of future generations, to develop methods of production that are sensible to people's welfare, to the environment and animals and we encourage our suppliers to do the same.

Some examples of standards and certifications that Migros utilizes to achieve product safety are organic product certification, the Good Agricultural Practices certification in vegetable and animal production, the Ecotex certification, standards such as ISO 9001- GMP - ISO 22000 - ISO 14001 - OHSAS 18001 - SA 8000, the FSC certification, the Palm oil and Soya certification and the CE- LVD - EMC certifications.

We consider it a priority to work with companies that produce and supply according to the criteria specified in the "The Good Agricultural Practices – GAP" project conducted in collaboration with the Ministry of Food, Agriculture and Livestock. We are the first retail company in Turkey to implement a control system with GAP in fruits and vegetables, based on safety criteria on issues like farming models that protect human, animal and environmental health; and agricultural pesticide analysis and traceable products.

With our "Good Agricultural Practices in Animal Production," we provide our customers with white meat and eggs bearing the 'Good Agriculture' logo that have undergone inspections based on human health and animal welfare sensitivity.

2.2. Private Label Products

For the purpose of meeting the good living demands of our customers, we have private label brands produced by our contracted suppliers under the name of "Migros, M-Life, and Anadolu Lezzetleri".

The M Life product portfolio offers products in categories such as organic, limited calories, reduced salt, or sugar-free products that support good living, and it has been designed for customers who wish to maintain their health, as well as customers who have health issues.

2.3. Anadolu Lezzetleri (Tastes of Anatolia)

Our Anadolu Lezzetleri product line is comprised of products that are unique with their regional or cultural features, produced through traditional methods and "have a story". With this project that has been brought to life after an identification of special tastes and local seeds in an in-depth scan of all regions throughout Turkey, we aim to embrace the cultural wealth of Anatolia and pass it onto future generations. At the same time, by allocating a special Anadolu Lezzetleri section in suitable stores, we are offering our customers access to these special products that can only be produced by a small number of local chefs or farmers.

2.4. Red Meat Products

At MİGET, Turkey's largest meat processing facility in the food sector, we produce all of our own meat needs and inspect the red meat products at every stage from the farm to the dinner table. Laboratory analyses and veterinary inspections are carried out at our facility and all of our production processes are TSE certified. Our products are developed according to the expectations of Turkish consumers and produced in hygienic conditions.

3. The Nutrition and Calorie Content on Product Labels

Despite not being required by the Turkish Food Regulation;

In order to keep our customers informed, we provide information on the nutrition and calorie content of our foods on our private label product packaging. Thus, our customers are aware of the nutrition value of the products they are consuming. We also have a Migros Nutrition values link on our website to inform our customers about this topic. Product labels are also inspected on all the products we procure and we encourage our suppliers to share information about nutrition and calorie content on their labels.

4. Public Health Work

As Migros, we play an important role in improving the health and fitness of the communities we serve. We develop important projects for community health with our "balanced nutrition" and "take action" activities under our motto

of "Good Living" to encourage our customers to embrace a healthier lifestyle. We conduct communication and education programs to raise consumer awareness on the importance of healthy living, balanced nutrition and physical activity and regarding the need to have a balanced calorie intake.

IV. Responsible Sourcing Policy

103-1, 103-2, 103-3, 408-1, 409-1

1. Purpose

With this policy we, as Migros, present all of the rules that we expect our suppliers to comply with in light of our responsible sourcing principles, as well as our policy for conducting supplier audits.

Migros publishes its Responsible Sourcing Policy on the website, as well as all online and mobile platforms that it uses for communicating with suppliers.

2. The Principles that Suppliers are expected to Comply with

Migros procures services from companies that have been established according to laws and operate with respect for laws and makes payments to all companies, including agencies, that they are involved in representation/proxy and business partnership relations with in compliance with laws.

As Migros we expect the suppliers that we work with;

- To be respectful to human rights principles,
- To comply with national and international ethical rules,
- To comply with work health and safety rules,
- To protect the environment and natural resources,
- To act according to all national and international regulations in all processes they provide like products and services, commercial, logistic, production and financial work and human resources.

We, as Migros, expect all our suppliers to not only comply with mandatory requirements but also to work on constantly improving themselves over time in the scope of the "Migros Quality Protocol" and we provide all the information support that suppliers may need.

2.1 Compliance with the Human Rights Principles

As Migros we are a member of the Consumer Goods Forum – CGF Board of Directors. The CGF board of directors accepts responsible forms of working that comply with and encourage human rights and reasonable working

conditions in parallel with the United Nations Guideline Principles on Professional Life and Human Rights and the ILO Declaration and Basic Principles and Rights in Professional Life. Within the scope of Social Sustainability work the board has focused on its members complying with supply chain labor standards and developing solutions to the issue of members preventing forced labor and abuse in their supply chains. As Migros we not only comply with the international principles of Human Rights as a CGF member but we take on responsibility and demand that our suppliers comply with these standards as well.

2.1.1 The Freedom to Organize and the Right to Collective Labor Contracts

Our suppliers must respect the rights of their employees to join or not join unions and their freedom to organize and must act in accordance with all local and national laws regarding collective labor contracts.

2.1.2 Prevention of Forced Labor and Abuse

Our suppliers must prohibit any kind of forced labor and abuse including labor under imprisonment, labor under military, slavery or human trafficking and must act in compliance with national and international laws concerning forced labor and abuse.

2.1.3 Child Labor

Our suppliers must act in compliance with national and international laws and regulations concerning the prohibition of child labor.

2.1.4 Combating Discrimination

Our suppliers must prevent discrimination and verbal and physical harassment in the work place. Discrimination must be prevented in all employment activities. Processes that are based on talent, performance and experience should be implemented. Our suppliers must act in compliance with national and international laws and regulations concerning discrimination and harassment.

2.1.5 Work Hours & Salaries

Our suppliers must act in complete compliance with laws and regulations concerning salaries, overtime and other benefits.

2.2 Compliance with Codes of Conduct (Combating Bribery and Corruption)

Our suppliers must not act in any way that could compromise the mutual trust in their business relations against employees, stakeholders, business partners, suppliers, customers, rivals, the environment and the community.

Our suppliers are obligated to keep the information they have learned about Migros during their business relations with us as confidential. They may not share this information without the permission of Migros Ticaret A.Ş. with any private individual or legal entity.

Any connection between our suppliers and corruption, money laundering or bribery incident is unacceptable. Our suppliers must not offer gifts, monetary benefits or invitations to civil servants or other representatives of public agencies that would influence their objectivity or violate existing laws.

They may not offer any gifts, benefit or aid to Migros Ticaret A.Ş. employees or other suppliers they work with that would influence their objectivity and possibly be considered a bribe. Therefore, the offer to employees of any special organization, holiday or arrangement other than business meals cannot be accepted. Other than the chocolates and daybooks that are presented at holidays and New Year the presentation of large gifts is prohibited.

2.3 Compliance with Occupational Health and Safety Rules

Our suppliers must provide their employees with a safe and healthy working environment. They must act in compliance with all national and international laws, regulations and rules concerning health and safety.

2.4 Protection of the Environment and Natural Resources

For the purpose of yielding a healthier and more livable environment to future generations, we expect all of our suppliers to keep their environmental impact under control and place importance on production and efficient use of resources.

2.5 Constant Improvement

"In line with the "Migros sustainability strategies," in addition to monitoring the "Good Quality and Safe Product" production of our suppliers, we follow their performance concerning employee rights, work health and safety, work conduct, environmental impact and safe production. In this context, we are audited by audit companies that are certified as per ISO 17020 regarding the requirements of product risk analysis covered by the Migros Protocol. Audits comprise both those that are announced with prior notice and those where no prior notice is given. We expect our suppliers to constantly improve their audit performance and we provide assistance and guidance to our suppliers to contribute to their constant improvement.

During the procurement of local, national and international products we provide support for constantly developing our suppliers through guidance on product quality and compliance with legal regulations.

Migros supports its suppliers to develop products that are produced according to sustainability principles. In this regard, we determine suppliers with national and international certificates and encourage those of our suppliers who are not certified to start the process.

Production in accordance with sustainability principles is supported and importance is placed on products that have certifications for palm oil, cocoa, soy, coffee, paper and wood products

3. Supplier Audits and Product Inspections

As Migros, we follow a special audit program for our suppliers and inspect the production facilities of our suppliers in line with a Migros protocol that has been prepared especially with independent external outside companies.

- ISO 9001 (Quality Management System)
- ISO 22000 (Food Safety Management System)
- ISO 14001 (Environmental Management System)
- OHSAS 18001 (Occupational Health and Safety Management System)
- SA 8000 Social Responsibility Standard)

Our supplier companies that do not achieve a sufficient number of points as a result of the audits are issued a warning and requested to correct the issues that are deemed insufficient. Suppliers that fail to achieve an improvement in 3 consecutive audits are no longer purchased from and the commercial relationship is terminated. We use global standards as our guide for product safety and aim to provide products in healthy conditions to maintain the unconditional trust of our customers. In this context, not only do we inspect production facilities, but we also inspect all of the stages of procurement until the product reaches the consumer through using both the laboratories we have established within the Distribution Centers and contracted Accredited Outside Laboratories. As a result of these inspections, products that conform to legal regulations and the Migros standards are presented for sale. All of our stores are inspected without notice by our own staff and Independent Outside Companies to maintain the continuity of the Quality Management System

V. Environmental Policy

103-2

1. Purpose

For the purpose of leaving a healthier and more livable environment to future generations, we place importance on

keeping environmental impact under control in order for the more productive and efficient use of resources. Through our project, we carry our social sensitivity and responsibility to future generations as an environmentally friendly company.

2. Our Activities

One of the main goals of our operations is to protect environmental sustainability. Our environmental management vision includes the continuous management of environmental impacts, working towards the improvement of biodiversity, establishing cooperation with suppliers to manage impacts throughout the value chain and conducting a variety of projects and campaigns to increase public awareness.

The Migros Environmental Policy sets forth that we will move forward together with our stakeholders to develop environmental awareness, to protect the environment and keep the needs of future generations a priority in order to leave them a clean environment.

3. Management

Sustainability is the responsibility of all Migros employees. This responsibility is distributed both top down and bottom up.

The Migros Board of Directors is responsible for determining strategic approaches to sustainability issues like climate change, the environment, biodiversity, human rights, occupational health and safety, governance and business ethics, responsible work applications and public development.

The Migros CEO is responsible for implementing the strategies that are determined by the Board of Directors. The Migros CEO carries out this responsibility with a team of senior level administrators. All senior level administrators distribute the sustainability responsibilities to their teams through specified goals.

3.1 Sustainability Committee

Migros has formed the Migros Sustainability Committee which is a separate organ formed with the participation of administrators that represent all of the main functions of the company under the chairmanship of the CHRO and includes representatives from senior management. The Committee works to bring to life projects to improve the integration of sustainability across Migros and to enhance the sustainability performance of Migros in order to respond to its stakeholders' expectations. The Migros Sustainability Committee monitors and analyses sustainability

issues concerning risks and opportunities that may impact Migros's assets and operational and commercial activities; determines the indicators that will be used in monitoring performance, conducts projects to realize performance goals and reports results to the CEO and senior management. The performance that is achieved in sustainability has become part of the corporate performance evaluation system.

Our Company's Sustainability Committee audits and monitors the efficiency of our environmental policy on a yearly basis by obtaining information from the department supervisors. Our company's environmental policy is known and embraced by all of our employees. The supervisors of all departments that are on the Sustainability Committee make sure that employees follow the Company's environmental policy in practice. These sub units make it easier for the policy to be conveyed, for training programs, internal audits as well as for environmental goals to be determined and performance monitored.

3.2 Stakeholder Integration

As Migros, we give all our employees, customers, suppliers and all other stakeholders the opportunity to be involved in our environmental work in order to form a value chain. With the waste collection and recycling projects we conduct at our stores we raise customer awareness and with the quality inspections we subject our supplier to, we question the environmental impacts that result from operations and require improvement from suppliers who do not meet our expectations.

3.3 Education

We convey the Migros Environmental Policy to all our employees and people under the responsibility of our organization. By training all our employees on environmental issues, we are committed to raising awareness regarding environmental responsibility amongst all our employees and to communicating with our stakeholders and sharing information as necessary.

4. Measuring Environmental Impact

We constantly monitor the environmental impacts of our operations, keep them under control and reduce them to comply with environmental laws.

4.1 Protecting Biodiversity

Migros places great importance on environmental protection work. All of our operations are in urban areas and are

authorized by public authorities. We have no units operating on land and wetland areas with high biodiversity. As a result, there has been no negative impact reported from our operations on water sources, soil or natural habitats.

In 1992, Turkey signed the Convention on Biological Diversity developed by the United Nations Environment program, approved it in 1996 and began implementing it in our country in 1997.

The main issues that the Convention on Biological Diversity focuses on are;

- Protection of biodiversity;
- The sustainable use of biological sources;
- The fair and equal sharing of benefits resulting from the use of genetic sources.

As a signatory of this contract, all of the legal permits issued by the government include the subject of biodiversity. As Migros we only open our stores after all of the legal permits and licenses have been obtained. In this context our stores are only allowed to be opened after all environmental assessments have been made.

4.2 Development of Projects to Reduce Greenhouse Gases

As an environmentally friendly company we strive to reduce greenhouse gas emissions in our business activities.

In line with this policy, we focus on making improvements to our cooling gas systems, energy efficiency and the efficient use of resources. We develop projects to control and reduce greenhouse gas emissions to help combat climate change.

4.3 Waste Management

We work to protect natural resources and undertake recycling. We encourage "reduction, reuse and recycling" across our business.

In line with our zero waste goal, we work to treat and dispose of all waste generated from our operations, convert it to energy so that it can be used again in our economy. We aim to reduce waste at source and make sure that natural resources are used efficiently.

4.4 Water Management

We, at Migros, work to achieve water efficiency in all of our operations as part of our environmental sensitivity to protect natural resources. We improve water usage and pay special attention to selecting materials and equipment

that have less of an impact on the environment. Preventing the environmental impact of waste water generated by our activities and meeting legal obligations are among our core principles for how we work. The water used in our stores, service departments and production facilities is monitored for this purpose on a monthly basis.

5. Auditing of Suppliers

In order to improve sustainability over the life cycle of our products, we place importance on the improved performance of suppliers and therefore the protection of biodiversity.

6. Reporting

As Migros, we disclose the scope and results of our environmental management system activities to the public every year.

In order to support constant improvement, ensure periodic review and take precautionary measures we implement an environmental management system. We base this on the ISO 14001 Environmental Management System Standard.

We have been reporting our CO₂ emissions to the international organization called CDP (Carbon Disclosure Project) which motivates companies to disclose their environmental impact since 2014.

With our work in sustainability, Migros was the one and only brand from the retail sector to be included in the "BIST Sustainability Index" in 2014 and also qualified for inclusion in 2015.

VI. Human Rights and Equal Opportunity Policy

102-41, 202-1

1. Purpose

Migros Ticaret A.Ş. serves with a work force that includes a variety of languages, religions and ethnic origins in both Turkey and foreign subsidiaries. In this context the subjects of "Human Rights" and "Equal Opportunity" are among the main policies of our Migros Human Resources management approach.

As Migros we respect human rights and we work proactively to identify and prevent any adverse human rights impacts that may be generated from our operations.

2. Equal Opportunity

Migros is devoted to the UN Human Rights Universal Declaration recognized on an international scale and the ILO labor standards and observes all relevant activities.

In all of our human resources processes from employment to wages there is no discrimination based on age, gender, race, religion, language, ethnic origin, sexual preference, belief, marital, social or economic status, disability, pregnancy or military service status.

Migros Integrated Human Resources Systems measure and monitor the abilities, skills and performance of our employees with general and objective criteria in the framework of the equality principle. As Migros, we provide equal training, promotion, career development and salary opportunities to all our employees based on objective evaluation results.

We support the participation of women in professional life and organize trainings and projects to increase the number of women employees and administrators in the company. We act in compliance with laws on the employment of disabled and disadvantaged individuals.

3. Collective Agreement and Unionization

Migros has respectful work environment to the rights of unionization of its employees.. We support the unionization of our employees; we make collective agreement with the Union within constructive dialogue and carry out the requirements of this agreement.

4. Forced Labor

We do not allow our employees to be forced to work against their will. None of our employees are ever pressured for any reason and all of our employees are employed under equal conditions, by their own free will in positions that are suitable to them.

Within this scope, Migros also accepts and carry out the Three Priority Industry Principles of Consumer Goods Forum (CGF).

- Every worker should have freedom of movement (retention of identity papers)
- No worker should pay for a job (demanding recruitment fees)
- No worker should be indebted or coerced to work (withholding of wages)

5. Child Labor

Migros determines its employees according to relevant procedures and principles. The employment of child labor is never allowed at our stores, our headquarters and our regional directorships.

6. Prevention of Mistreatment and Abuse

We treat our employees with respect and honor and never allow any of our employees to be mistreated. We do not allow our employees to be exposed to any verbal and physical abuse.

7. Working Hours, Salaries and Benefits

We manage the total income package of employees based on job evaluation results and ensure that the remuneration package is competitive by distinguishing and rewarding performance as well as the remuneration packages being offered in other leading companies in Turkey. We conduct our operations in compliance with the valid laws about salary, working hours, overtime and fringe benefits. We conduct studies to reduce the overtime period of our employees and also support them to maintain their work-life balance.

8. Work Health and Safety

Migros has TS 18001 OHSAS Work Health and Safety Management System certificate and meets the requirements of this certificate. We provide our employees with a safe and healthy work environment and comply with the safety and health laws and regulations in force and our in company requirements. We constantly work to improve health and safety conditions in our workplace including identifying danger and finding solutions to health and safety problems.

VII. Human Resources Policy

1. Purpose

Migros Ticaret A.Ş. structures its strategies with a customer satisfaction approach that raises the retail standards in the countries it operates in order to achieve sustainable quality, reputability and sector leadership. Migros Human Resources aims to provide the human resource that will create a competitive advantage in our company on realizing these strategies, to develop the systems to constantly motivate and manage human resources and implement these systems in line with the corporate principles. It aims to establish and implement Human Resources Systems that correspond with the company strategies, values and serve for employees' happiness and engagement.

Migros Human Resources aims to provide the human resource that will create a competitive advantage in our company on realizing these strategies, to develop the systems to constantly motivate and manage human resources and to make sure these systems operate in integration with each other

2. Our Employer Brand

As Migros Ticaret A.Ş. our employer value proposition (EVP) for existing and potential employees is "Good Job, Good Future". Our main employer qualities that we have determined together with our employees and capitalized on are as follows:

- We are a reliable and corporate family
- We aim for the top
- We are constantly developing
- We are innovative
- We provide all our employees equality of opportunity and strong career development opportunities

3. Search and Selection

The main purpose of Search and Selection is to provide the human resource that will create a competitive advantage in realizing the corporate strategies within the necessary time using the most objective and effective evaluation tools to the company.

It covers all the human resource needs and completion of them within the organization.

In our recruitment process, there is no discrimination based on age, gender, race, religion, language, ethnic origin, sexual preference, belief, marital, social or economic status, disability, pregnancy or military service status. In the candidate selection process, they are selected according to their experiences, skills, competencies required by the position.

4. Internal Application System

The purpose of our internal application system is to provide for our workforce needs from internal sources and thus give our own employees different career opportunities in the company to increase their motivation and engagement.

5. Performance Management System

Through our Performance Management System, it is aimed to guide our employees' career development/back up, income package and development plans in line with evaluation results by making sure that the goals to be reach in line with the company strategies are embraced by all our employees and the performance of our employees are monitored in a fair and productive manner.

Goal determination, performance monitoring and performance evaluation processes comprise the main steps of the Performance Management System. The employee and manager must be in agreement at every stage. The personal

performance notes achieved as a result of the Performance Evaluation comprise the input for career development/back up, income package and development plans.

6. Job Evaluation System

The purpose of our Job Evaluation System is to determine the relative contributions of work to the results of the organization in a fair and methodological manner and to assess the relative size of jobs.

According to the job evaluation methodology each varying position in our company is evaluated according to the size of the job, knowledge-skill, responsibility and problem solving criteria. Job families and a level structure were formed unique to the company by forming groups of roles which have common characteristics taking into consideration with vision, strategy and goals; and these groups have been organized into levels according to objective criteria.

Job Evaluation provides critical input for Performance Management, Reward and Remuneration, Search and Selection, Training Development and Career Planning/Back Up processes. It is a platform that can be used as the infrastructure for all "Integrated Human Resources Systems" and impacting remuneration in particular.

7. The Remuneration System

The main purpose of Remuneration Management is to manage the total income package of employees based on job -evaluation results and outside and inside of company salary balances with fair and competitive salary policies distinguishing and rewarding performance.

The Remuneration System is based on the salary policies which are determined annually according to job family/level of positions, the salary market, the existing salary structure of the company and the ability to pay. The employee raises are determined according to the PIR (position in range) calculated with these salary principles and the results of individual performance evaluations.

The salaries and benefits of blue collar workers are evaluated in the scope of the Collective Labor Contract.

The salaries determined according to the above procedures are then approved by Migros CHRO and CEO.

8. Competency / Potential Evaluation / Strategic Human Resources

Competency is the observable behavior that includes the knowledge, skill and attitude that distinguishes the highest level of performance.

The purpose of our Competency Evaluation process is to determine the individual competency profile that is compatible with our company culture and to match the requirements of a job with the qualified employee. Also the purpose is to create the human resources necessary to support the strategic human resources planning of our company and maintain it as well as determine the backup for key positions and identify the Potential & Star candidates.

The compatibility of our employees to the position profiles are evaluated in line with the organizational needs planning that supports our company's productive growth strategy; critical position backups and potential & star candidates are determined, they are approved by management decision in Strategic Human Resources Planning Meetings and then finalized.

9. Development Planning

The Development Planning process planned each year for Store Management and every 2 years for Administrative Units starts with the announcement of competency evaluation results. Our employees, who can view their evaluation results on the system, fill out the Development Agreement on the system and determine which skill they will improve and which development activities (in class training, online training, article, book, complementary activity) they will participate in and enable the evaluations to provide input for the development process. The filled form is first submitted to the manager of the employee then to the Training Department for approval.

While the requests in Development Plans of employees for the development tools such as online training, article, book, complementary activity are automatically assigned, in class training is organized by the "Migros Retail Academy" and announced by email.

10. The Reward Systems

Migros Reward and Premium Systems aims to reward differentiated individual/team work, customer admiration and appreciation through differentiated branches in Reward System to recognize the achievements of employees and increase their company engagement and motivation in line with the company.

11. Career Planning Management (Appointment/Promotion Processes)

The Career Planning Process; is a fair and reliable process that is carried out at certain periods to support the company's productive and profitable growth strategy by appointing/promoting qualified candidates suitable to the profile of the positions within the framework of a certain standard depending on the principles of objectivity and transparency.

In the promotion processes; for our store employees, being successful in the results of the competency &

performance evaluations in the Store Career Recipes booklet and in the results of Migros Development Center are taken into account. They are expected to meet the training and seniority criteria sought for each position and not to have any warning/caution. They are also required to be successful in exams and interviews for some positions. This process is evaluated for our employees in HQ within the framework of the job analysis forms created by their job size and according to the headcount situation. The career development of our employees is impacted by the requirements of the position they are in, the level definitions of job families they are depending on and changes of their job size. Job Evaluation provides critical input for Performance Management, Reward and Remuneration, Search and Selection, Training Development and Career Planning/Backup processes.

12. Employee Relations Management

The aim of our Working Life Evaluation Survey is conducted by an independent company is to measure the level of satisfaction and engagement of our employees, to identify what needs to be improved and prioritize them. The results of this survey guide our improvement activities on working life.

VIII. Occupational Health and Safety Policy

403-1

1. Purpose

Migros aims to provide a safe workplace environment to protect its employees, business partners and customers against health and safety risks that could occur in the workplace; and follows a proactive approach to sustain this practice.

With the belief that providing a healthy and safe working environment is important for a sustainable future in professional life, Migros works to create a common 'safety culture' with all its employees, business partners and customers.

Migros aims to reduce possibilities of accidents and improve on the number of work days lost by providing employees with occupational health and safety training, information, site inspections, equipment and improved physical conditions.

2. The Occupational Health and Safety Management System

Migros has created the occupational safety concept in the framework of the Quality Management Systems together

with the quality and productivity principles. By standardizing all of the processes being implemented at all locations and establishing the Occupational Health and Safety Management System, Migros has earned a TS 18001 Occupational Health and Safety Management System certificate.

Migros carries out the conditions of the Occupational Health and Safety Management System standards that it manages. By providing its employees with a healthy and safe workplace, Migros complies with the health and safety regulations in force and the internal company requirements. By making sure that resources are used efficiently the company increases management and communication efficiency.

With the external and internal auditing processes conducted by Migros the company validates the efficiency of its management system, determines areas of improvement, detects possible hazards, and finds solutions to health and safety issues and works for improvement.

3. Occupational Health and Safety Processes

3.1. The Occupational Health and Safety Board

In order to monitor and report on the workplace's compliance with healthy and safe working conditions Migros established the Occupational Health and Safety Board, which is comprised of the senior management at the Migros General Headquarters and reports directly to the CEO, in 2013. The board represents the entire Migros work force and is responsible for facilitating and monitoring occupational health and safety concerning all the activities of the company.

The Occupational Health and Safety Board holds regular meetings in the general headquarters structure, with the participation of occupational safety experts, workplace physicians and the managers of relevant departments in accordance with regulations to monitor the situation and make decisions. The decisions made in the board are implemented in the field. The evaluations of the board and the decisions that are made cover all the activities of the company.

3.2. Occupational Health and Safety Training

Migros provides its employees with occupational health and safety training before they start working and periodically during their employment. At locations where services are purchased and at start of employment on the job and periodic OHS training is provided by occupational safety experts and workplace physicians. Additionally training that is provided to employees at all locations is reinforced with remote training. In this scope employees are given basic occupational health and safety, occupational health and safety management system, emergency, employee

representative, board member, safe use of equipment, first aid and hygiene training.

3.3. Occupational Health and Safety Risk Assessments

Migros prepares risk assessment and analysis reports at all workplaces in the scope of the occupational health and safety regulations and management system work, and renews its risk assessments according to legal terms and conditions.

The risk assessment reports are followed by corrective and preventive actions and constant improvement work.

3.4. Occupational Health and Safety Emergency Action Plans

Migros prepares emergency action plans at all workplaces in the scope of the occupational health and safety regulations and management system work and renews these plans according to legal terms and conditions.

In the scope of the Prepared Emergency Plan training is provided to firefighting, search-rescue-evacuation, first aid and power source response teams by local firefighting organizations, specialist companies and occupational health and safety experts and annual drills are organized.

3.5. Occupational Health and Safety Environment and Health

Occupational health and safety experts, workplace physicians and freelance consultants will make visits to all Migros locations to inspect OHS processes and applications and enforce corrective/preventive activities when necessary.

The records of work accidents and near miss incidents are kept, reviewed and reported by the occupational safety experts. Workplace physicians conduct inspections on the workplace conditions, tests on new hires and periodic physical examinations.

3.6. Occupational Health and Safety Control and Measurements

In order to make sure that the work equipment being used by general headquarters and branches, shops, distribution centers, fruit-vegetable warehouses and MĪGET employees meet OHS conditions periodic inspections are done by authorized companies on the work equipment. Improvements are made on the equipment according to periodical inspections.

Workplace physicians and occupational health experts make sure measurements of conditions are taken in response to the determinations they make during site inspections.



GRI Standard	GRI Content	Notifications
GRI 101: Foundation 2016		
General Standard Disclosures		
GRI 102: General Disclosures		
	Organizational Profile	
	102-1 Name of the organization	About the Report p. 6
	102-2 Activities, brands, products, and services	Corporate governance p. 12, Health and Nutrition Policy p. 113
	102-3 Location of headquarters	Migros Headquarters is located at; Atatürk Mahallesi Turgut Özal Bulvarı No: 7 Ataşehir / İstanbul
	102-4 Locations of operations	Migros is conducting its operations in 3 different countries; Turkey, Kazakhstan and Macedonia.
	102-5 Ownership and legal form	Shareholder Structure p. 14
	102-6 Markets served	Economic Impact p. 36
	102-7 Scale of the organization	Economic Impact p. 36 Migros Ticaret Annual Report 2016
	102-8 Information on employees and other workers	Migros Direct Human Resources Statistics p. 42
	102-9 Supply chain	Supply Chain p. 29 Product Management p. 52
	102-10 Significant changes to the organization and its supply chain	Up-to-date Acquisitions p. 15
	102-11 Precautionary Principle or approach	Principles p. 9, Risk management and internal control p. 18
	102-12 External initiatives	Voluntary memberships & initiatives p. 24
	102-13 Membership of associations	Voluntary memberships & initiatives p. 24

GRI Standard	GRI Content	Notifications
	Strategy	
	102-14 Statement from senior decision-maker	Message from the CEO p. 4
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behavior	Vision, mission, strategy and principles p. 8-9
	Governance	
	102-18 Governance structure	Board of directors structure p. 16, Sustainability committee p. 34
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Migros stakeholders p.26
	102-41 Collective bargaining agreements	Employees p. 28 Equal Opportunity p. 124
	102-42 Identifying and selecting stakeholders	Migros Stakeholders p.26
	102-43 Approach to stakeholder engagement	Migros Stakeholders p.26
	102-44 Key topics and concerns raised	Migros Stakeholders p.26
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Migros Paydaşları s. 26 Migros Ticaret Annual Report p. 130-131
	102-46 Defining report content and topic Boundaries	Materiality Approach p. 30
	102-47 List of material topics	Materiality Approach p. 30
	102-48 Restatement of information	Materiality Approach p. 30
	102-49 Changes in reporting	There has been no significant change in reporting scope and boundaries.
	102-50 Reporting period	About the Report p. 6

GRI Standard	GRI Content	Notifications
	102-51 Date of most recent report	About the Report p. 6
	102-52 Reporting cycle	About the Report p. 6
	102-53 Contact point for questions regarding the report	About the Report p. 6
	102-54 Claims of reporting in accordance with the GRI Standards	About the Report p. 6
	102-55 GRI content index	GRI Content Index p. 132
	102-56 External assurance	About the Report p. 6
Topic Specific Content		
GRI 200 Economic Standards Series		
GRI 201: Economic Performance 2016		
	103-1 Explanation of the material topic and its Boundary	Economic Impact p. 36
	103-2 The management approach and its components	Economic Impact p. 36
	103-3 Evaluation of the management approach	Economic Impact p. 36
	201-1 Direct economic value generated and distributed	Economic Impact p. 36
GRI 202: Market Presence 2016		
	103-1 Explanation of the material topic and its Boundary	Economic Impact p. 36
	103-2 The management approach and its components	Economic Impact p. 36
	103-3 Evaluation of the management approach	Economic Impact p. 36
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Equal Opportunity p. 124

GRI Standard	GRI Content	Notifications
GRI 203: Indirect Economic Impacts 2016		
	103-1 Explanation of the material topic and its Boundary	Economic Impact p. 36
	103-2 The management approach and its components	Economic Impact p. 36
	103-3 Evaluation of the management approach	Economic Impact p. 36
	203-2 Significant indirect economic impacts	Economic Impact p. 36
GRI 205: Anti-Corruption 2016		
	103-1 Explanation of the material topic and its Boundary	Anti-Bribery and Anti-Corruption Policy p. 110
	103-2 The management approach and its components	Anti-Bribery and Anti-Corruption Policy p. 110
	103-3 Evaluation of the management approach	Anti-Bribery and Anti-Corruption Policy p. 110
	203-2 Significant indirect economic impacts	Anti-Bribery and Anti-Corruption Policy p. 110
GRI 206: Anti-Competitive Behavior 2016		
	103-1 Explanation of the material topic and its Boundary	Up-to-date Acquisitions p. 15
	103-2 The management approach and its components	Up-to-date Acquisitions p. 15
	103-3 Evaluation of the management approach	Up-to-date Acquisitions p. 15
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Up-to-date Acquisitions p. 15
GRI 300 Environmental Standards Series		
GRI 302: Energy 2016		

GRI Standard	GRI Content	Notifications
	103-1 Explanation of the material topic and its Boundary	Energy Saving Practices p. 82
	103-2 The management approach and its components	Energy Saving Practices p. 82
	103-3 Evaluation of the management approach	Energy Saving Practices p. 82
	302-1 Energy consumption within the organization	Energy Management p. 80
	302-4 Reduction of energy consumption	Energy Management p. 80
GRI 303: Water 2016		
	103-1 Explanation of the material topic and its Boundary	Water Management p. 92
	103-2 The management approach and its components	Water Management p. 92
	103-3 Evaluation of the management approach	Water Management p. 92
	303-1 Water withdrawal by source	Water Management p. 93
GRI 304: Biodiversity 2016		
	103-1 Explanation of the material topic and its Boundary	Contribution to Biodiversity p. 76
	103-2 The management approach and its components	Contribution to Biodiversity p. 76
	103-3 Evaluation of the management approach	Contribution to Biodiversity p. 76
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Contribution to Biodiversity p. 76
	304-2 Significant impacts of activities, products, and services on biodiversity	Contribution to Biodiversity p. 76

GRI Standard	GRI Content	Notifications
GRI 305: Emissions 2016		
	103-1 Explanation of the material topic and its Boundary	Carbon Footprint p. 86
	103-2 The management approach and its components	Carbon Footprint p. 86
	103-3 Evaluation of the management approach	Carbon Footprint p. 86
	305-1 Direct (Scope 1) GHG emissions	Corporate Greenhouse Gas Emissions table p. 87
	305-2 Energy indirect (Scope 2) GHG emissions	Corporate Greenhouse Gas Emissions table p. 87
	305-3 Other indirect (Scope 3) GHG emissions	Corporate Greenhouse Gas Emissions table p. 87
	305-4 GHG emissions intensity	Corporate Greenhouse Gas Emissions table p. 87
	305-5 Reduction of GHG emissions	Sustainable Distribution Systems p. 90, Green IT Policy p. 84
GRI 306: Effluents and Waste		
	103-1 Explanation of the material topic and its Boundary	Water Management p. 92
	103-2 The management approach and its components	Water Management p. 92
	103-3 Evaluation of the management approach	Water Management p. 92
	306-1 Water discharge by quality and destination	Water Management p. 93
	306-2 Waste by type and disposal method	In Support of Recycling s. 96
GRI 307: Environmental Compliance 2016		
	103-1 Explanation of the material topic and its Boundary	Environmental Performance p. 72
	103-2 The management approach and its components	Environmental Performance p. 72

GRI Standard	GRI Content	Notifications
	103-3 Evaluation of the management approach	Environmental Performance p. 72
	307-1 Non-compliance with environmental laws and regulations	Environmental Performance p. 72
GRI 400 Social Standards Series		
GRI 401: Employment 2016		
	103-1 Explanation of the material topic and its Boundary	"Good Life": A Project from Migros Employees to the Community p. 62
	103-2 The management approach and its components	"Good Life": A Project from Migros Employees to the Community p. 62
	103-3 Evaluation of the management approach	"Good Life": A Project from Migros Employees to the Community p. 62
	401-1 New employee hires and employee turnover	Economic Impact p. 36
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	"Good Life": A Project from Migros Employees to the Community p. 62 Quality Inspections for Suppliers p. 70
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	403-1 Workers representation in formal joint management-worker health and safety committees	Safety and Security in the Working Environment p. 48
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GRI 408: Child Labor 2016		
	103-1 Explanation of the material topic and its Boundary	Practices for Suppliers and Business Partners p. 22
	103-2 The management approach and its components	Practices for Suppliers and Business Partners p. 22
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	408-1 Operations and suppliers at significant risk for incidents of child labor	Practices for Suppliers and Business Partners p. 22

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	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Practices for Suppliers and Business Partners p. 22 Prevention of Forced Labor and Abuse p. 117
GRI 412: Human Rights Assessment 2016		
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	417-2 Incidents of non-compliance concerning product and service information and labeling	Responsible Advertisement and Marketing p. 60
GRI 418: Customer Privacy 2016		
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	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Society and Customers p. 28
GRI 419: Socioeconomic Compliance 2016		
	103-1 Explanation of the material topic and its Boundary	Economic Impact p. 36
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	419-1 Non-compliance with laws and regulations in the social and economic area	Economic Impact p. 36

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