

MIGROS

SUSTAINABILITY REPORT 2017



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Message from CEO

Dear Stakeholders,

Migros has been adding value to our country's economy, producers and the retailing industry for 64 years. As well as being the most experienced retailer in the country, we continue to be the most dynamic retailer with our innovative approach and ability to present the future from today. 2017 was a turning point for Migros. By acquiring Kipa and Tazedirekt, we have accelerated our growth rate of recent years. We have built a very robust foundation for our goal of doubling growth in 4 years. We broke an 11-year record with a growth of 39%.

In the cities where we operate, we are one of the biggest supporters of the economy with the vitality we bring to the local economy and contributions we make to our producers as well as the employment we provide. We think that retailing is the driver of regional development. We have contributed to reversing the migration pattern from rural areas to big cities over the years with our store network spreading across Turkey and with the additional business units we have created and the product purchase guarantee we have given to our farmers. Today, employees in our stores outside of İstanbul make up 71% of our total employment. In addition, 54% of our employees are working in their hometowns.

Although our quantitative results are strikingly successful, we are mainly proud of being among the pioneers in the global retail sector with our sustainability initiatives. The sustainability mindset has become a natural reflex for each individual in the Migros family. We plan all our businesses without compromising any of our responsibilities and efficiency measures. Therefore, we focus on making a place sustainable while living and growing.

We have been reporting our activities in the area of sustainability to our stakeholders in line with our transparency principle. Since last year, we have been preparing our Sustainability Report in accordance with the global GRI Standards. However, the satisfaction we derive from our sustainability efforts dates back to our origins.

Although our quantitative results are strikingly successful, we are mainly proud of being among the pioneers in the global retail sector with our sustainability initiatives.

- We are the first and only retailer to be listed in the Borsa İstanbul Sustainability Index four years in a row.
- We have been selected among the "CDP Turkey Climate Leaders" for the last two years by CDP Turkey.
- We were listed in the FTSE4Good's Emerging Markets Index two years in a row.

We are committed to creating value for our stakeholders benefiting from the development goals we have set with the sense of responsibility regarding our society, economy and environment. Therefore, we use all communication channels in a 360-degree manner in order to shape our work towards the wishes and expectations of our stakeholders. We conducted an extensive research and analysis to identify key issues that our employees, customers and suppliers wanted us to focus on in the area of sustainability. In this context, the key topics identified by our stakeholders as requiring us to make the most contribution include reliability, economic benefits, public health, product safety, access to products and services, dialogue with stakeholders and environmental impact. These topics fully overlap with our understanding of sustainable growth and our principle of growing together with all our stakeholders. We wanted to share our annual performance with great clarity by determining the main topics of this report according to what is material to our stakeholders.



In addition, we have set our development goals in line with international norms, regulations, commitments of the Consumer Goods Forum (CGF) we are a member of, and the UN Sustainable Development Goals.

Accordingly, our commitments by 2022 are:

- To reduce our electricity consumption per square meter of daily sales area by 13% compared to 2013. We have achieved 6.6% reduction on our goal thus far.
- To reduce carbon emissions per square meter of daily sales area by 13% compared to 2015. We completed a big part of our goal with 10.4% reduction in just two years.
- To reduce annual water consumption per employee by 6% compared to 2016. We reached 1.75% reduction in the first year.

In addition to these commitments, we are focused on making the healthiest, most reliable, and best quality products accessible at the best prices through both physical and digital platforms while halving our food waste ratio by 2025. With this goal in mind, we have started to donate food to social markets and food banks through our "Respecting Food Project" and we have sent 138,095 meals to the people in need in a very short time period. By selling food that is close to its expiry date at a discount, we saved food corresponding to the revenue of 3 Migros stores only in 2017.

Another one of our community development projects is our Family Clubs. As of 2017, we bring people together, especially women, who would like to participate in free vocational and personal development courses through our Family Clubs at 12 locations in 9 cities. Our greatest source of motivation is the Family Club members that go on to raise their self-confidence, increase their talent and productivity and establish their own businesses.

We know that good teamwork is key to amplifying the impact level of our created value. We aim to make our work sustainable with our employees, suppliers and business partners that share the values of Migros Code of Ethics. Therefore, we obtained assurance on the selected information besides our carbon footprint for the first time this year on our work on supply chain management and human rights by an independent audit firm.

Our projects and activities that I briefly mentioned can be found in detail inside our 2017 Sustainability Report. Sharing our efforts in an open, informative and transparent language with you gets us even more excited to do better each time. Thank you very much for following our activities and sharing our excitement.

Ö. Özgür Tort
CEO

About the Report

Since 1954, Migros Ticaret A.Ş. offers modern, reliable and high quality service to its customers in line with its principles of transparency and accountability. In the reporting period, Migros expanded its market share further and kept its fast growth with the acquisition of the modern retailer Kipa on March 1st, 2017. Following its first Sustainability Report presenting the company's performance in 2016, this second Sustainability Report reflects Migros' sustainability performance in the fiscal year 2017 and establishes targets for future periods. The report provides detailed information on material issues related to all stakeholder groups and follows global reporting principles.

Migros has identified its key stakeholders as customers, employees, shareholders and investors, suppliers and business partners, government agencies and legislators and aims to present its economic, environmental and social performance to all stakeholder groups within this report. The indicators that were included in the report prepared according to the Global Reporting Initiative (GRI) Standards, which are global sustainability reporting standards, can be followed from the GRI Index at the end of the report. This report has been prepared in compliance with the "Basic" options of the GRI Standards.

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 between the dates January 1st, 2017 to December 31st, 2017. Acquisition of Kipa shares took place in March and the consolidation of the company was not completed by the end of 2017. Therefore, data related to carbon emissions, energy consumption, water consumption and

waste management does not include Kipa operations. As a result, the data for the company included in the report refers to Migros' operational data as of the end of 2017 and represents 85% of its global operations. Quantitative data in the featured headers are prepared in a three-year scale format in order to make readers better understand, analyse and compare related trends.

The material topics, which form the framework of the Sustainability Report, were determined with the help of interviews held and rigorous analyses during the reporting period. Report content scope is determined following the outcomes of the materiality analysis performed in the reporting year.

All the information presented in the report is drawn from our system data which is auditable and trustable. The content is developed by specific working groups operating under the Migros Sustainability Committee. The selected data in the economic, environmental and social topics has been verified by an independent auditor. Detailed information on the audited data assessed by an independent third party can be seen in the relevant sections of the report, in the Independent Assurance Statement at the end of the report and in the GRI Index.

Migros is committed to maintaining its sustainability performance at the highest level and plans to report on its sustainability 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.



About Migros



1. Vision, Mission and Values

Our Vision



To be always the first choice of customers by providing a unique convenience and trustworthy shopping experience.

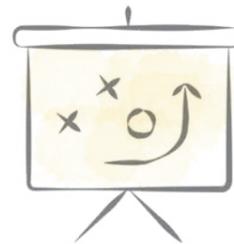
Our Mission



Providing a unique shopping experience through its ultimate service approach, pioneer applications, broad product portfolio and family budget friendly pricing strategy. Creating value for all stakeholders through its eco-friendly and community-focused operational approach.

Our Strategies

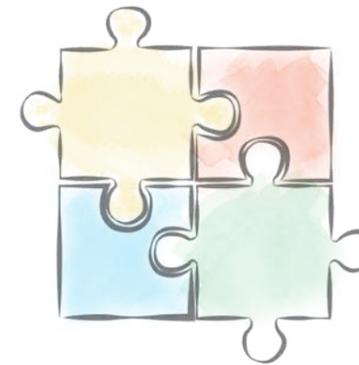
Migros defines its strategies in line with its mission and so as to achieve sustainable quality, respect, and sectoral leadership through an approach to customer satisfaction that rises the bar of retailing standards in the countries in which it operates. Migros' most fundamental strategy is to provide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

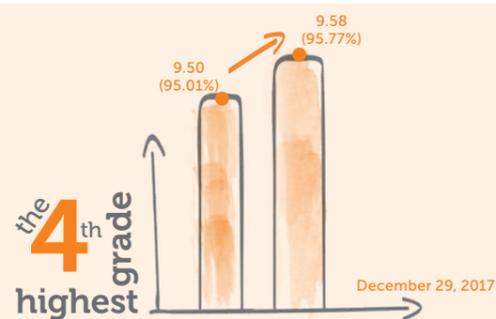
Believing in the importance of having a strong corporate governance structure, Migros considers corporate governance principles its guide during every stage of its activities. **Annual Corporate Governance Principles Compliance Report** is published to inform stakeholders. Detailed information regarding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

Migros adopts all four basic tenets of corporate governance:

- Fairness
- Transparency
- Responsibility
- Accountability



2. Highlights in 2017



Migros' **Corporate Governance Rating** was rated as 9.58 (95.77) as of 29 December 2017. This represents the 4th highest grade amongst the independently rated companies until the date of announcement.



Migros became the first and only retailer in Turkey to be listed four years in a row in the **Borsa İstanbul Sustainability Index**, which assesses companies in terms of their contribution to combating climate change, efficient use of natural resources, business health and safety, supply chain management, corporate governance, employment, health and transparency.

2
in a
years
row



Migros received the "**CDP Turkey Climate Leaders**" award for the second time in 2017, which was bestowed by the CDP the most highly-respected international initiative in greenhouse gas emissions reporting, due to the company's plans and efforts combatting climate change.

2nd
times
in a
row



Migros was listed twice in a row in the **FTSE4Good's Emerging Markets Sustainability Index** which was announced for the first time in 2016.

most
admired
retailer
14th
in a
row



Migros received "**The Most Admired Company of the Retail Sector**" award from Capital Magazine for the 14th time in a row in the "**Turkey's Most Admired Companies**" survey. In the same survey, Migros took the **13th place** amongst the "**Top 20 Admired Companies**" list, which is sector independent.

Amongst
the fastest
growing
50
companies



Migros was ranked 247th on the **Global Powers of Retailing**, where a global independent audit firm identified the world's 250 largest retailers. In addition, Migros was placed **amongst the fastest growing 50 companies** in this assessment.

17th
largest
company
of Turkey



Migros ranked 17th in the "**Fortune 500 Turkey Survey**" which identifies the largest companies of Turkey.

Most popular
supermarket
amongst kids
& youngsters



Migros has been selected as the most popular brand in the supermarket category according to the results of the "Markaların Efendisi Çocuklar: Çocuk Dünyasında Markalar Algı Araştırması" and "Gençlik, Aşk ve Markalar: Aşkın Marka Hali Araştırması¹" conducted by The Brand Age Magazine.

¹ Awards related to brand popularity amongst kids and youth

3. Corporate Governance

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. Board of Directors is responsible for the management of the company's corporate governance principles in a transparent, accountable, fair and responsible manner, taking into consideration the risk and return balance, growth and corporate interests.

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) Corporate Management 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 the Board of Directors can be found in the "Investor Relations" section of our 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 Committee

The Corporate Governance Committee is comprised of four members, including two non-executive members, the Investor Relations Group Manager, and an independent member undertaking the committee chairman position. The Corporate Governance Committee determines the level of compliance with corporate governance principles and oversees the activities of the Investor Relations Department. Detailed information about the remuneration of board members and managers with executive responsibilities can be found in our [Corporate Governance Compliance Report](#).

Audit Committee

The Audit Committee is responsible for oversight of the accounting system, the effectiveness of internal controls and the internal audit systems and financial reports disclosed to the public. The committee consists of two independent and non-executive members, 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. The committee has three members, including two independent non-executive members of the Board. An independent board member assumes the Committee Chairman position.

Risk Management and Internal Control

The Migros Internal Control System defines the risks associated with the operational, functional and financial performance of processes and units, and analyses and presents the results independently 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.

The Internal Audit Department investigates and examines the activities and transactions by conducting internal audits throughout the year. In case of any irregularities, detailed investigations are conducted in order to ensure

In 2017, an independent audit firm evaluated Migros' Internal Audit activities' compliance with the International Internal Audit Institute (IIA) Standards and the Code of Ethics.

necessary precautions are taken and recommendations for precautions to eliminate potential irregularities in the future are offered. The Internal Audit Directorate reports operationally to the CEO.

In 2017, an independent audit firm evaluated Migros' Internal Audit activities' compliance with the International Internal Audit Institute (IIA) Standards and the Code of Ethics. As a result, it was confirmed that Migros' Internal Audit activities follow the IIA Standards and the Code of Ethics. Accordingly, Institute of Internal Auditing – Turkey (TIDE) granted the "Corporate Awareness" award to Migros for its contributions to developing and spreading information regarding professional awareness.



Business Ethics, Anti-Bribery and Anti-Corruption

Business activities of Migros are carried out in accordance with its Migros Code of Ethics, Anti-Bribery and Anti-Corruption Policy with the absolute support of 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 accessible by all its stakeholders. Migros annually reviews its **Anti-Bribery and Anti-Corruption Policy** and shares it with all its employees and business partners, especially suppliers and contractors. The policy was last updated in 2018 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 Ethics and Reputation Society of Turkey (TEİD). TEİD has memberships in the B20 Anti-Corruption Network, the B20 Turkey Anti-Corruption Task Force and Working Group, TRACE International (world leader in due diligence) Turkey Representative, Global Ethics Network Regional Representative, European Business Ethics Network, and Basel Institute on Governance Working Group that is the leader in anti-corruption, collective actions, corporate governance and ethics. Migros benefits from TEİD's deep knowledge in these areas. In 2017, TEİD reviewed Migros' Anti-Bribery and Anti-Corruption Policy and concluded that it is compatible with TEİD's membership declaration and ethical principles. Also in 2017, Migros participated in the International Ethics Summit organized by TEİD. Hence, risks and crises that have been faced in ethics management and lessons learned in the field of compliance shaped Migros' related internal activities.

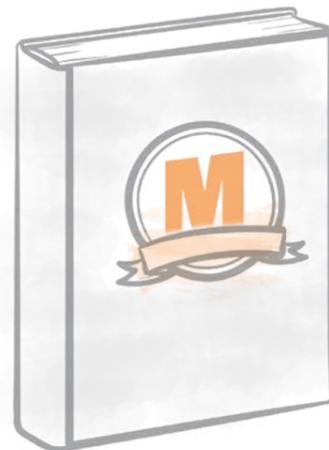
In 2017, Migros received the Most Ethical Companies of Turkey award for the fourth consecutive year in ETİKA Turkey Ethics Awards.

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' domestic operations. These risks and potential impacts are subject to assessment during auditing. Any internal audit findings related to corruption and bribery, or any issues related to ethical principles, would be assessed by the Migros Ethics Committee that meets on a quarterly basis with the participation of company executives. In the event that 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 directly reports to the senior management about the topics related to the Company's Anti-Bribery and Anti-Corruption Policy.

In 2017, Migros received the Most Ethical Companies of Turkey award for the fourth consecutive year, given by EDMER (Centre of Ethical Values Association) in ETİKA Turkey Ethics Awards.

In 2017, TEİD reviewed Migros' Anti-Bribery and Anti-Corruption Policy and concluded that it is compatible with TEİD's membership declaration and ethical principles



4. Membership & Initiatives

Migros' voluntary memberships and initiatives are shown below.

 GIDA PERAKENDECİLERİ DERNEĞİ FOOD RETAILERS ASSOCIATION	 The Consumer Goods FORUM The Global Network Serving Shopper & Consumer Needs	 GS1 Türkiye	 Uluslararası Yatırımcılar Derneği International Investors Association
Food Retailers Association (GPD – Board Member)	Consumer Goods Forum (CGF – Board Member)	GS1 Turkey Foundation of Economic Enterprise	YASED (International Investors Association)
 YEŞİL NOKTA ÇEVRE KORUMA VE AĞIRLAJ ATIKLARI DEĞERLENDİRME YAKFI	 GIDA TÜRKİŞH FOOD GÜVENLİĞİ SAFETY DERNEĞİ ASSOCIATION	 TÜRKİYE ODALAR VE BORSALAR BİRLİĞİ TOBB	 TÜRKİYE İNSAN YÖNETİMİ DERNEĞİ
ÇEVKO (Environmental Protection and Packaging Waste Utilization Foundation)	GGD (Food Safety Association)	TOBB (Turkey Chambers and Stock Exchanges Union)	PERYÖN (People Management Association of Turkey)
 KURUMSAL İLETİŞİMCİLER DERNEĞİ	 TÜRKİYE SÜT, ET VE KURUMSAL İLETİŞİMCİLER DERNEĞİ SETBİR	 TÜRKİYE ALIŞVERİŞ MERKEZLERİ VE PERAKENDECİLER FEDERASYONU TAMPF	 DENİZİZMİZ TÜRKİYE TÜRKİYE DENİZİZMİZ TÜRKİYE DENİZİZMİZ
KİD (Business Communicators Association)	SETBİR (Turkey Milk, Meat, Food Industrialists and Producers Association)	TAMPF (All Shopping Centers and Retailers Association)	TURMEPA (Marine Environment Protection Association)
 INTERNATIONAL CHAMBER OF COMMERCE		 Ev Dışı Tüketim Tedarikçileri Derneği	 yatırımcı ilişkileri Derneği
ICC (International Chamber of Commerce)	TUSİAD (Turkish Industrialists' and Businessmen's Association)	ETÜDER (The Association of Home Consumption Suppliers)	TUYİD (Investor Relations Association)
 EĞİTİM VE GELİŞİM PLATFORMU DERNEĞİ	 EUROPEAN ASSOCIATION OF COMMUNICATION DIRECTORS	 Türkiye Kurumsal Yönetim Derneği	 KALDER
TEGEP (Training and Development Platform Association)	EACD (European Association of Communication Directors)	TKYD (Corporate Governance Association of Turkey)	KALDER (Turkey Quality Association)
 Etik ve İtibar Derneği Ethics and Reputation Society	 MERKEZİ KAYIT KURULUŞU	 TÜRKİYE İÇ DENETİM ENSTİTÜSÜ 1995	 ZMO
TEİD (The Ethics and Reputation Society)	MKK (CSD of Turkey)	TİDE (The Institute of Internal Auditing – Turkey)	Chamber of Agricultural Engineers
 İSTANBUL TİCARET BORSASI 1924			
Istanbul Commodity Exchange			

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, product safety and end-to-end value chain since 2010. Migros CEO serves as the Vice Co-Chair (representing the Retail College) in the CGF Board of Directors and is a signatory of CGF sustainability commitments. Hence,

Migros is leading the way for the first time practices of related implementations in Turkey. CGF reports the annual activities of all its members and makes them publicly available (www.theconsumergoodsforum.com).

Migros' commitment and solution proposals that are developed in line with CGF resolutions are presented in the table below.

Consumer Goods Forum (CGF) Commitment and Solution Proposals

Subject	Target Completion Date	Commitment	Current Status
Healthcare	No time limit	Educational and awareness raising activities for improving community health with the cooperation of retailers and producers	Migros participates in the target, solutions and monitoring processes by participating in the Health & Wellness programmes as a member of the Steering Committee. In 2018, Migros has planned to organize balanced nutrition and mobility awareness raising activities in cooperation with producers at Migros stores and Migros Mobile.
	2018	To establish sector-wide product labeling and consumer information standards to encourage consumers to make informed choices	Migros has provided trainings on label reading in the Good Living Store Tours. Smart labeling practices have been completed. Migros has continued to lead the sector with activities to inform consumers about the difference between UBD (Use-By Date or Expire Date) and BBD (Best Before Date).
Environmental Sustainability	2020	To prevent deforestation	The Company continues to monitor Suppliers' Use of Certified Products
	2025	To halve food waste	The Company continues to contribute to the solution development process through participation in the related working group. Migros has calculated the percentage of food waste from its operations and has developed mitigation projects for ongoing activities.
	2025	To end the use of HFCs in emerging markets	The Company has contributed to the solution development process through participation in the related working group. It has developed a natural cooling system and has continuing efforts to the rolling-out of the system.
Social Sustainability	No time limit	To prevent forced labor in the supply chain	Following the outputs and decisions of working groups, Migros' Human Rights and Equal Opportunity Policy was updated. Migros has undertaken case studies and sectoral studies of global brands for analysis and benchmarking purposes. Annual supplier audits are conducted to ensure compliance of supply chain participants with child labor and forced labor practices that are strictly forbidden in the company's own operations.
End-to-end Value Chain	No time limit	Ensuring accurate and transparent data stream in the digital environment, smart labeling / barcoding	Migros actively participates in the target, solution and monitoring processes as a member of the relevant Steering Committee. In Turkey Migros pioneered the implementation of GS1 technology to pass on correct information within the sector and to consumers in Turkey. A minimum required dataset was developed for the data stream and system integration is ongoing.

5. Migros Stakeholders

Migros has been aiming to create value for all its stakeholders. During the reporting period, a sustainability materiality workshop was conducted with the Migros Sustainability Committee. In the workshop, the representatives of all the functions of the

company identified Migros' top priority stakeholders as **"society and customers", "employees", "shareholders and investors", "suppliers and partner organization and persons", "official institutions and regulators"** based on their experience.

Stakeholders	Communication Channel	Frequency of Communication
Society and Customers	Migros Call Center	Annual communication with 850,000 people / Approximately 2,300 daily responses to calls - Also, 45,000 random calls to customers with consent every month .
	Whats App line	Instant messaging with the system established in 2017.
	Social Media	1.5 million messages related to the sector that Migros strives to instantly follow up on and analyse .
	Consumer and Trend Researches	365 days continuously
Employees	Internal Communication Channels	Conveying company's vision and goals, internal and sectoral developments via Turuncu magazine . Instant updates and information flow through the Intranet . Socialization of employees with personal and business related messages via Migros Sosyal app . Gathering employees with executive management via Internal Communication Meetings organized regionally or throughout Turkey .
	Recruitment Evaluation Survey	After each recruitment
	Evaluation of the Working Life Study	Each year
	Migros Share Line	19,000 calls annually / on average 1,583 calls per month / 52 per day.
Shareholders and Investors	General Meeting	Declaration of annual financial results, General Assembly Meeting with shareholders and investors, and publishing the meeting minutes on the company's official website.
	Public Disclosure Platform Declarations	Announcement of financial statements for each quarter of the year and making special disclosures when necessary
	Corporate Governance Principles Compliance Report	Annually
	Migros Website; www.migroskurumsal.com	Detailed information is shared on the official corporate website, which is updated on a daily basis.
	Annual Report	The company's operational and financial results are announced quarterly and annually on its corporate website and Public Disclosure Platform website.
Supply Chain	Migros Business Summit	Annually
	MeCom / MeMobil Applications	Daily update
	Meetings	As required
Official Institutions	Meetings and Feedback Requests	Based on the queries of Municipalities and Ministries, - Statement of opinion through affiliated GDP, TAMPF, YASED, TÜSİAD and TOBB Retailing Sector Assembly.
	Inspections	Monthly / Annually
	Communication with Municipalities and Ministries	Following up on regulations, legislations, and laws and providing necessary information – Communications with Ministry of Customs and Trade, Ministry of Food, Agriculture and Livestock, Ministry of Labour and Social Security, Ministry of Science, Industry and Technology, Ministry of Finance and Revenue Administration to take actions in line with the targets developed.
	Permission and Registration Applications	Legal permissions and licenses for new activity areas and the opening of new stores.

Customer Relations and Communications

To ensure a better shopping experience for consumers, most of the technologies developed are utilized and the data obtained from each channel is collected, analysed and interpreted. The company regards customer feedback as a valuable input to be used when determining its strategies.

Migros has been awarded the TSE ISO 10002 Customer Satisfaction Management System certification. As part of digital transformation, 0530 915 45 45 WhatsApp line was opened for consumer communications in 2017 with respect to changing consumer habits.

Issues related to the Company and the sector are directly monitored via social media, and customer requests, questions and needs are answered and resolved even if they are not directly addressed to the official Migros account. Important topics related to the sector, positive and negative posts and extraordinary increases in shares are followed up through the **Social Media Tracking Screens** that were established in 2017.

In 2017, **"Müşterimi Merak Ediyorum"** platform was established in order to take advantage of the customers' experience in depth. Randomly selected volunteer customers among the members of the Money Club card, convey their shopping experiences. At least 45,000 customers are selected each month and the feedback received is added to the big data.

Research methods are also used effectively to understand customers better. **Customer surveys and focus group**

studies covering 60 thousand people are conducted annually. Migros has the ability to conduct in-depth research into micro-segments in such a large amount of data. For example, a survey platform called **"Fikir Sepetim"** can be used to analyse customers shopping habits in great depth (e.g. motivations behind customers that buy lettuce instead of parsley in Kars). Through this platform, the opinions of 16 thousand people were taken in 2017. Through the concepts determined by the contribution of more than a thousand employees and customers, the service performance and perception of the company were analysed by the Neuro research method from the perspective of internal and external customers.

Approximately 60% of the new applications and improvements that have been implemented are based on customer feedback.

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. Information related to protecting customer information and updates are shared on the official Migros web page. In 2017, Migros received no complaints from official entities such as courts, prosecution, and Ministry regarding violation of personal data protection. Moreover, according to the regulations and legislations, customer information is removed if requested by a customer, and in total, the information of 7 customers was removed following their request.



6. Materiality Approach

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

GRI principles have been taken into consideration for identifying the issues covered in this report and the feedback provided by Migros Sustainability Committee, and results of employee, consumer and supplier surveys has been used to identify the important issues for stakeholders in the materiality analysis with respect to these principles.

A Sustainability Workshop was conducted with the participation of representatives who ensure close relationship with different stakeholder groups to receive the feedback of the Sustainability Committee. Outputs of this workshop were evaluated according to the Core option of GRI Standards and the material sustainability topics were identified.

Stakeholder Evaluation Survey

Stakeholder evaluation surveys were prepared for identifying material sustainability topics were initially tested a group of participants using a neuro research method and expressions inside the surveys were rearranged in order to be suitable for the stakeholder groups that would receive the surveys. The finalized survey was communicated to employees via the company intranet, to customers via e-mail communication and to suppliers via e-mails and the B2B work-related partnerships communication platform MeCom. During the reporting period, studies and interviews

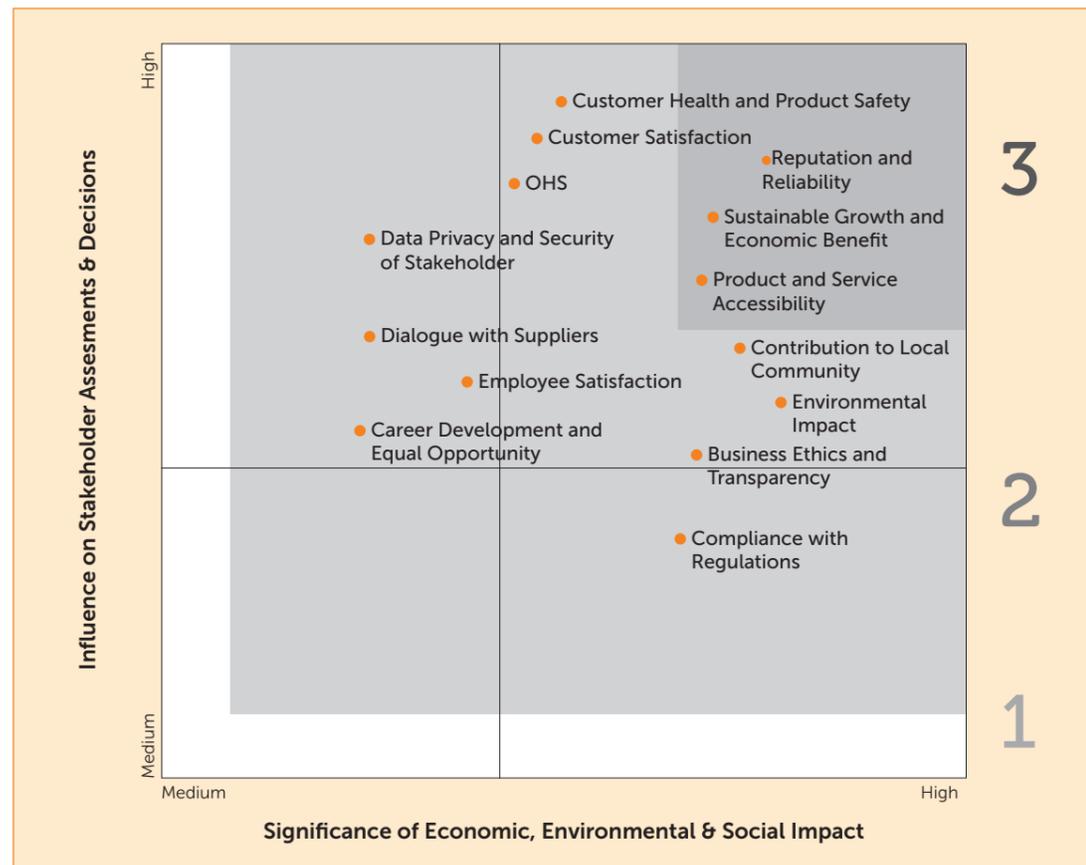
Studies and interviews with the customers, employees and suppliers, and feedback via different channels of communication were taken into account in developing the report's content.

with the customers, employees and suppliers, and feedback via different channels of communication were taken into account in developing the report's content. According to the joint analysis of all the results, the material issues Migros should focus on and the relevant actions to be taken according to the key stakeholders were determined. In order to report in accordance with GRI Standards, prioritized issues have been associated with aspects in the GRI Standards Content Index.

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.



Materiality Matrix



Customer:
This first thing that comes to my mind when you say Migros has been "quality approach". As far as I can remember from my childhood services were being provided to the public way back then with a travelling Migros bus equipped with a special horn.

Supplier:
As someone who has been supplying materials to Migros for many years I am aware of the importance they place on both human and animal health for food and nonfood items. I feel this value should be announced more to set an example and create awareness.

Employee:
Our environmental awareness and sustainability approach makes us stand out in the sector.

Employee:
We are aware of the responsibility we have to undertake in public gender inequality. We place particular importance on this subject especially in the hiring of female employees in our stores.

Customer:
Among my reasons for preferring Migros in addition to factors like product quality and customer services, is the company showing the necessary sensitivity to issues like environmental awareness, preserving the world's resources, social awareness and child education.

Sustainability Management



ECO



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.

In addition, **Migros Sustainability Committee was established through the participation of senior managers representing the main functions of the company and chaired by the Migros CHRO**, in order to manage, monitor and execute sustainability projects. This committee provides a platform in which principles of responsible management are handled and each department is given an equal chance to participate and to discuss their opinions.

Migros Sustainability Committee tracks, evaluates and analyses sustainability issues about legal, physical, environmental, operational and socio-economical risks and opportunities that may affect the company's assets or its commercial activities; it determines indicators that will be used in tracking performance; it implements projects for achieving performance targets. The committee reports the outcomes of these projects to the CEO and senior management. Performance related to sustainability issues has become part of the corporate performance evaluation system. **In all the main functions of the company, having at least one annual goal 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 the corporate performance target cards of the Chief Construction Officer

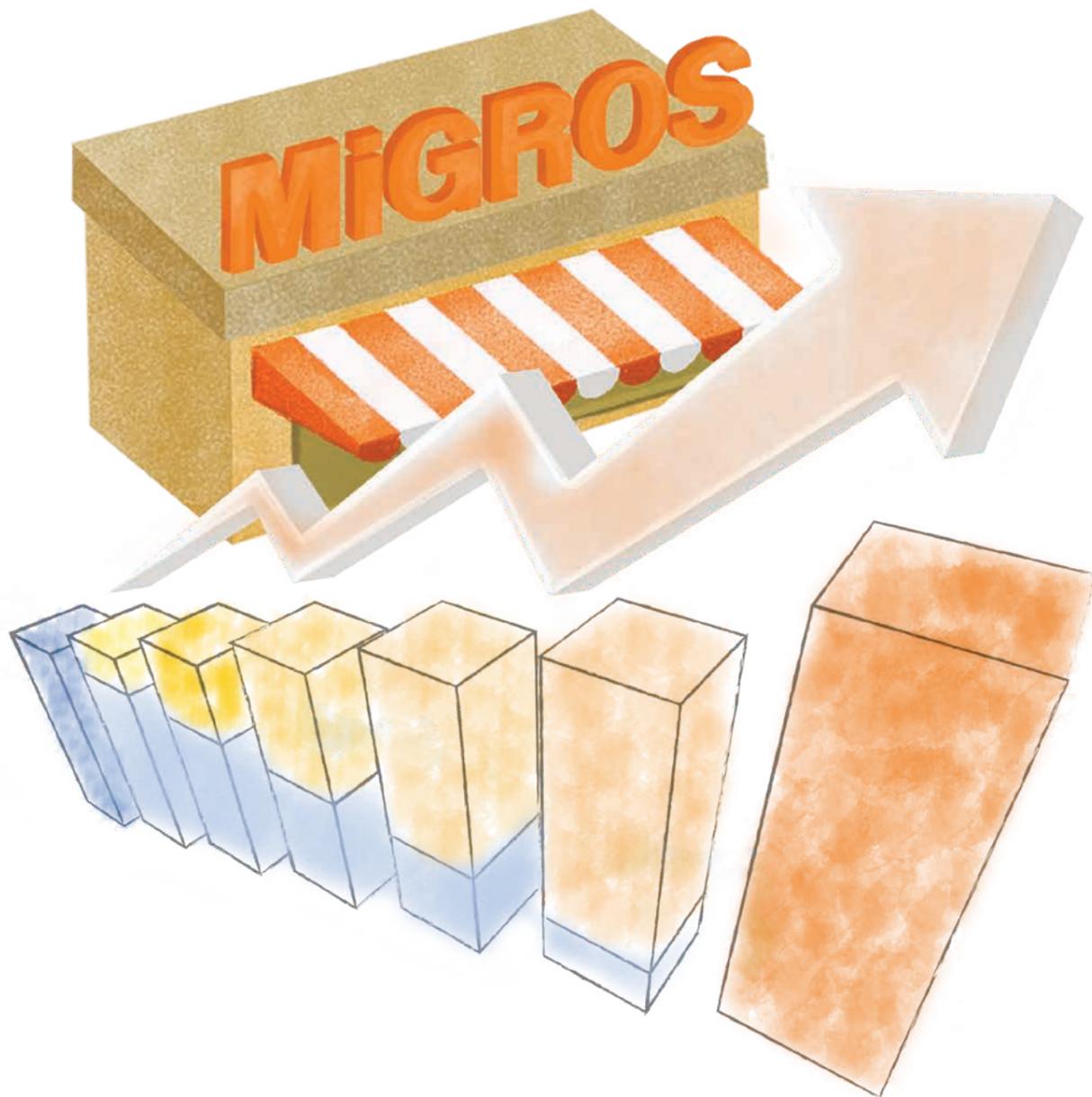
and Group Managers in charge of construction works and energy management, which directly impacts their annual bonus.

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 they monitor its continued application in the areas where they work.

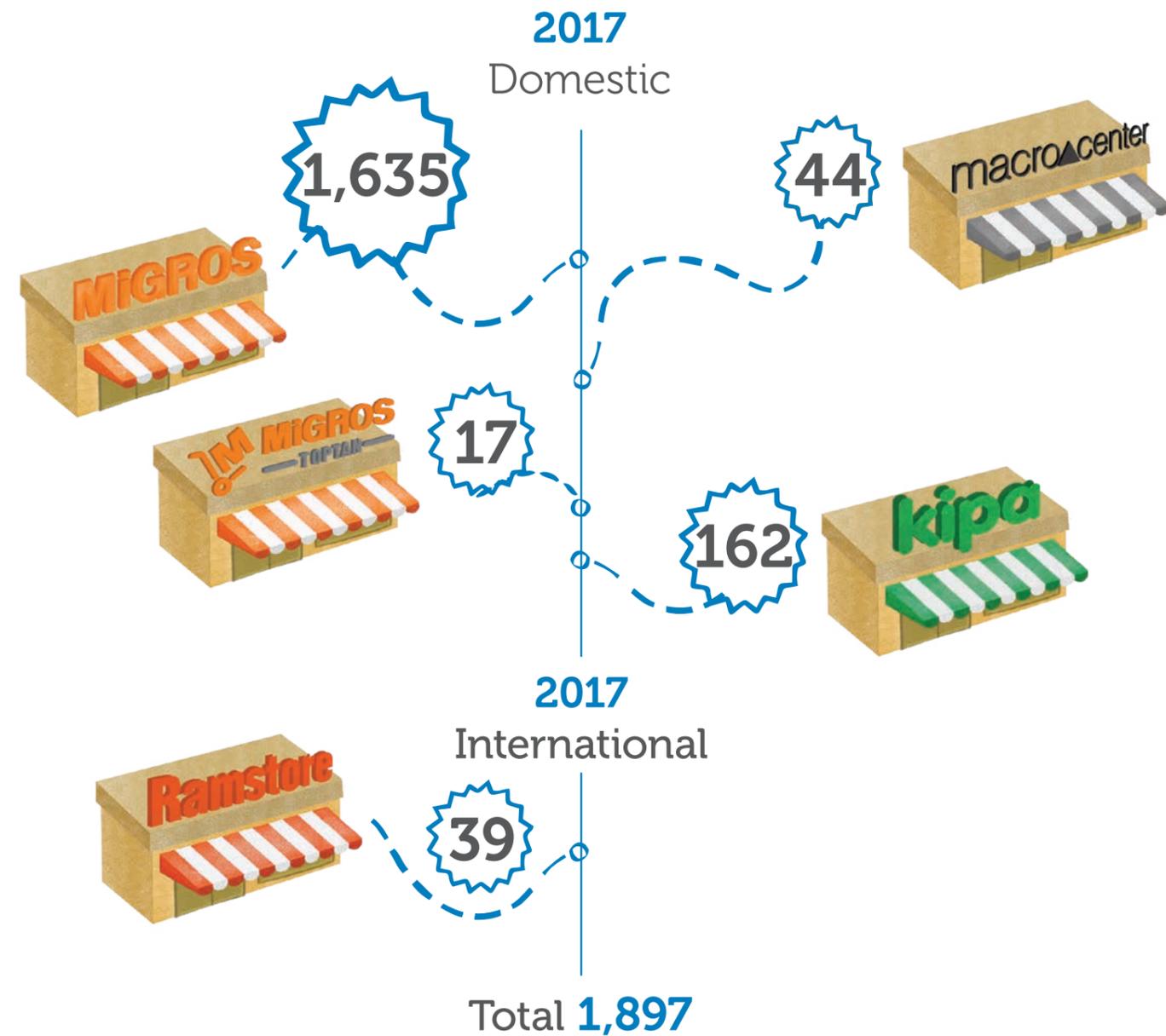
Migros Sustainability Committee, which brings the senior managers of different departments, evaluates and analyses legal, physical, environmental, operational and socio-economical risks and opportunities about sustainability issues



A. Our Economic Performance



Number of Migros Stores



Shareholder Structure

Shareholder	Share (%)	Share amount (TL)
MH Perakendecilik ve Ticaret A.Ş.	50.00	89,015,000
Kenan Investments S.A.	15.13	26,937,336
Moonlight Capital S.A.	8.07	14,371,000
Other	26.80	47,706,664
Total	100.00	178,030,000

As of 2017 year-end, Migros reached out consumers via **1,897** stores.

Economic Development in 2017

With its efficiency-focused growth strategy and innovative implementations, Migros creates value not only for its value chain but also for the Turkish Economy as a whole. As of 2017, Migros has delivered a variety of products to meet the different needs of its customers through its **MigrosJet, Migros, MM, MMM and 5M** formats and **Macrocenter** and **Kipa** stores in 73 provinces in Turkey and through its Ramstore stores abroad in Kazakhstan and Macedonia. **Migros Sanal Market** delivers direct to households or businesses for customers who prefer digital and mobile platforms for the shopping and **with its 1.7 million subscribed customers, increased its penetration by 17%. Migros Toptan** serves wholesale customers such as HoReCa companies. The **Tazedirekt** brand continues its activities under Migros with a separate e-commerce website and operations management.

In 2017, Migros registered a **consolidated sales growth of 38.7% with sales amounting to TL 15,344 million** and an annual growth rate excluding the acquired Kipa operations of 21.3%. Migros' first and foremost responsibility in terms of achieving economic impact is to fulfil 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 78.3 million in corporate income tax, according to the independently audited 2017 year-end consolidated IFRS financial statements. "Taxes and other fees" paid for the fiscal year 2017 amounted to TL 21.5 million.

Impact of Employment, Accessibility and Production

Migros is a nation-wide employer and a leader of local development. **Employees in Migros' stores account for 95% of the company's human resources.** 71% of domestic employees are employed outside of Istanbul and **54% work in their hometowns.** Recruitments continue all year round in different provinces throughout Turkey. In addition, people are recruited throughout the year in the headquarters and regional management offices of the stores as needed. In 2017, Migros continued its mission of 'contributing to employment' and provided new jobs to 5,500 people. In the end of 2017, the number of direct employees increased to 29,431. **Total employment at Migros including Kipa employees and Migros' indirect workforce is almost 45 thousand.** Excluding Kipa, Migros has 1,789 active suppliers with procurement deals over TL 1,000. Including Kipa, the active supplier count reached 2,016 by the end of the reporting period. The economic impact created by Migros extends not only to direct value creation (e.g. to Migros employees) but also to the indirect value created by the Company (e.g. to Migros suppliers and business partners). Migros has more than doubled its store count in 5 years and it will continue to generate new employment by opening 120-150 new stores in 2018.

Migros reaches 80% of households in Turkey and has customers from all socio-economic circles. The Company offers year-round best price guarantee on more than 1,500 branded and private label products offered to its customers in its stores, making it possible for all socio-economic circles to obtain quality goods at reasonable prices.

Up-to-date Acquisitions and Changes to Shareholder Structure

As of 1 March 2017, Migros had acquired 95.5% of the shares of Kipa, a modern retailer operating mainly in the Aegean region. The company's integration process took place in August 2017. **Migros' share in Kipa has risen to 96.25%** following the mandatory bid to acquire shares of other Kipa shareholders.

In 2017, **Migros opened 193 new stores** and reached its annual goal of opening new stores. The number of stores participating in the company's organisation was 355 with Kipa stores. On 29 November 2017, Moonlight Capital S.A., a shareholder of the company, sold a portion of its Migros shares to non-resident institutional investors. After the transaction, Moonlight Capital S.A.'s shares in Migros were 8.07% and the remaining shares in Migros through funds managed by BC Partners were 23.2%.

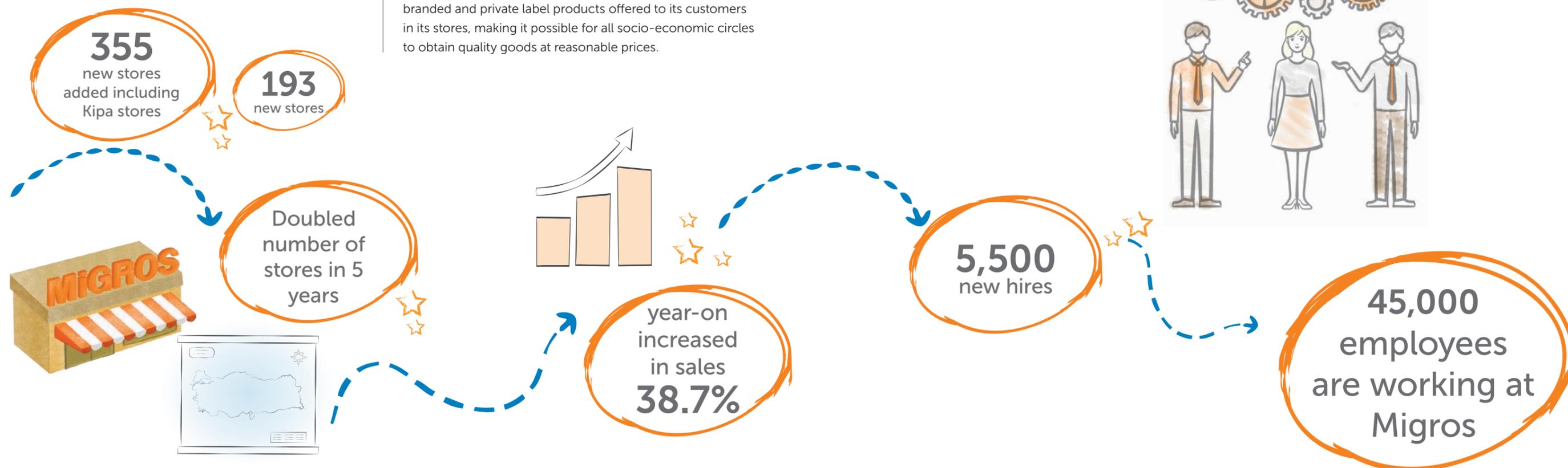
In the reporting period, apart from these developments, there has been no major change in the size, structure, ownership or supply chain of the company.

In 2017, the company was not notified of any violation in the legislation on anti-competition or monopolization.

Contribution to the Civil Society

In areas of social needs, Migros develops various projects through collaboration with employees, customers, suppliers, foundations, associations, and other non-governmental organizations in order to amplify the impact level of these projects. For instance, Migros customers who shop at the Migros Sanal Market have the option of making a charitable donation to the Turkish Foundation for Children in Need of Protection (Koruncuk), TEGV and Foundation for the Training and Protection of Mentally Handicapped Children (ZİÇEV). Migros and Migros Sanal Market customers can also donate to Koruncuk and ZİÇEV during the Feast of Sactifice. In addition, during the Ramadan period, specially prepared Ramadan aid boxes can be donated to the Red Crescent. **Migros provided a total of TL 348,231 in social assistance and donations in 2017.**

During the reporting year, there were no significant penalties or sanctions imposed on Migros due to non-compliance with laws and regulations regarding social or economic matters.



B. Social Performance



1. Our Human Resources

Human Resources Approach

The most important strategic objective of the Migros Human Resources Department is to manage the company's human resources to ensure that employees are knowledgeable, customer- and process-focused, dynamic, and supportive of Migros' efforts to maintain its leading position as a retailer. The management of human resources processes and employee relations in line with Migros **Human Resources Policy** and principles is the responsibility of Chief Human Resource Officer. This function is clearly defined and undertaken within the regulations and the principles of business ethics of Migros.

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 and equal opportunity employer.

Migros, as stated in its **Human Rights and Equal Opportunity Policy**, complies with the 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 through which Migros emphasizes the necessity to its employees of fully complying with standards concerning human rights.

All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles that are defined in detail. Migros 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 employee competency, skill and performance. There were no reported cases of discrimination in the reporting period.

Migros pays severance pay to its employees who, after working for at least one year, leave their job due to reasons other than resignation or misconduct (retirement, military service, etc.) as mandated by laws. Migros **Severance Policy**, detailing the related proceedings, is published and shared publicly on its corporate website.



Employee Profile

Migros staff has an average age of 31 with 80% being from 'Generation Y'. 82.1% of the employees are store employees, 17.9% are store managers and administrative employees. The average seniority rate of white collar employees is 10 years.

While the ratio of female employees within the total workforce (national and abroad) was 40%, the ratio of female managers increased by 1 point to 28.2% including Migros and Ramstore. The ratio of female managers is expected to be 27.5% in 2018 upon necessary updates related to the Kipa acquisition. Migros aims to increase back this ratio up to 28% in 2022. **Migros has supported the Turkish branch of Lead Network**, a Dutch establishment with the mission of increasing the ratio of senior female managers in retail. The Migros Director of FMCG Marketing undertakes the role of Vice Presidency of Lead Network Turkey. In addition, one senior female manager participates annually in the Women on Board Mentoring Program.

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 includes Kipa operations and generates 97% of its total revenue. The top management of Migros in Turkey are citizens of the Republic of Turkey. In 2017, Migros had 582 disabled employees.



Age Range	Ratio
Under 30 years	46.7%
30-50	51.7%
Over 50 years old	1.6%

2017 Employee Data*

	In İstanbul		Outside İstanbul		Outside Turkey		Total
	Women	Men	Women	Men	Women	Men	
Full Time Employees	2,779	5,066	6,939	11,434	748	488	27,454
Part Time Employees	146	200	947	684	0	0	1,977
Total	2,925	5,266	7,886	12,118	748	488	29,431

* Employee numbers and breakdown incorporates all activities of Migros Ticaret A.Ş., including Kipa.

Hiring Performance

Migros received 304,000 job applications and **hired 5,500 people in 2017**. Vacancies are also filled **through the company's internal transfer/promotion system: 342 positions were filled in** this way in 2017. Under the company's "Recommend a Friend" project, 232 people were recruited by Migros based on an existing employee's recommendation. In addition, 132 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.

Employee Satisfaction

Migros conducts many projects that aim to increase employee loyalty and enhance internal and external customer satisfaction. All new employees joining the Migros Family are asked to fill out a **"Recruitment Evaluation Questionnaire"** in order for Migros to learn about their experience with the recruitment process. The **"Evaluation of the Working Life Survey"** is conducted every year by an independent research company in order to measure and further improve the level of Migros employees'

job satisfaction and loyalty. Workshops organized by departments at Migros that are specifically involved in employee loyalty and Employee Loyalty Stewardship Programs have helped **Migros to improve its employee loyalty performance by 4 points in 2017 compared to the previous year**. 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.

Talent Management

Migros carries out more than **6,500 performance evaluations every year** for its administrative employees and its store managers **through its Performance Management System**. Under the company's **Store Employee Performance Management System**, more than **16,800 store employees are evaluated** twice a year by their supervisors.

Administrative employees and store managers at Migros' similarly undergo "360° Competency and Potential Evaluations" biannually in which their strengths and potential weaknesses are identified so that development plans may be formulated accordingly. Evaluations were carried out for more than 3,250 Migros employees in 2016 and 600 Migros employees in 2017. The Ramstore employees in Macedonia and Kazakhstan operations have also been included in the evaluation system since 2016.

In addition to the 360° Competency and Potential Evaluations, assessments are carried out through CEB SHL to unearth employee's competency potential. Upon its acquisition in 2017, Kipa employees have been included in these processes, after which every employee receives very detailed and comprehensive reports to guide their development plans.



More than 6,700 Migros employees benefited from the Migros Reward System in 2017 and a total of 2,200,000 reward points were given out.

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 6,700 Migros employees were recipients of such rewards in 2017 and a total of 2,200,000 reward points were given out.

Employees subject to performance and career development evaluation in 2017 are shown below. Kipa employees were not included in the performance evaluations.

Employees subject to performance and career development evaluation

Position	Female	Male	Total
Center	91%	97%	95%
Store Management	98%	99%	99%
Store Employee	97%	97%	97%
Total	97%	97%	97%

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 practice, 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 2017.

98% of Migros store management personnel were recruited from the company's own human resources through the Migros Career Paths Program in 2017.

Contributing to Employee Development

Migros commits to providing all its employees on-the-job training and lifelong learning opportunities. 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 personal development through a mix of university programs, classroom trainings and e-learning options.

In 2017, **all Migros employees received an average of 20 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 2017 was 36,780. Migros' goal of training at least 90% of its employees was reached through the trainings provided in 2017.

The Migros Retail Academy cooperates with universities to educate its store employees, store managers and administrative 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. Migros Retail Associate Degree and Bachelor's Degree Programs are among these programs. Migros supports all its employees in their learning and career development including those who have not graduated from university. In terms of these employees, those who have completed 5 courses are considered to be an Associate Degree-level graduate while those that complete an additional 3 courses are considered to have the equivalent of a Bachelor's degree. **The Migros Retail Academy increased the awards it received from institutional academies and educational units across the globe to 36 by the end of 2017.**

Employee training statistics:

Store Management Store Employee Administrative Units



Annual Average Training Time
35 days



Annual Average Training Time
19 days



Annual Average Training Time
13 days

The total number of employees receiving vocational and personal training in **2017 was 36,780.** Migros surpassed its goal of training at least 90% of its employees.

Employee Health Program

Migros provides its employees with training, wellness seminars, and physical check-ups to help them live better lives of their own. In this context, the company provides its employees with health insurance, medical service 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 employees who can not attend these activities are informed with brochures and posters. Hobby and travel clubs provide a suitable environment for the development and socialization of employees in different areas.

In 2017, **a total of 2,035 Migros employees benefited from 20 different programs.**



Migros presents its corporate policies in the form of e-trainings to all its existing and new employees. The e-training had been completed by **26,784 Migros employees by the end of 2017.**

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, complying with all local rules & regulations 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** that is valid between May 1, 2017 and December 31, 2019. 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. Migros provides side benefits such as food bonus and transportation benefits to its employees who are union members.

Complying with Corporate Policies

All employees are informed about the Migros Principles of Business Ethics at the very start of their employment with Migros. Migros "**Human Resources**", "**Human Rights and Equal Opportunity**", "**Anti-Bribery and Anti-Corruption**" and "**Responsible Sourcing**" policies are reviewed annually and employees are informed via e-mail and circular letters following any updates. The company presents its policies in the form of e-trainings to all its existing and new employees to ensure all corporate policies are adopted. The e-training that covers all corporate policies had been completed by 26,784 Migros employees by the end of 2017.

Migros has a guide booklet for its employees called the "**Orange Book**", which reveals all its corporate 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. The Orange Book is also uploaded to the relevant intranet pages, as well as physically present in the store dashboards for the training of store personnel.

Ethical Responsibilities of Employees

Employees' violations regarding ethics, bribery and corruption 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 Bargaining Agreement. Violations of Migros' Code of Ethics and Anti-Bribery and Anti-Corruption policies result in the termination of the employee's employment contract.

An investigation was conducted following the notification that one store employee was taking advantage of a deal with a supplier, which is incompatible with the Migros Code of Ethics, Anti-Bribery and Anti-Corruption, and Responsible Sourcing policies. The Disciplinary Board decided to terminate the employee's 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, 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 Code of Ethics; these situations cannot lead to sanctions. Investigations were conducted following the notification that store employees experienced verbal harassment and The Disciplinary Board decided to terminate the contracts of 4 employees subject to complaints.

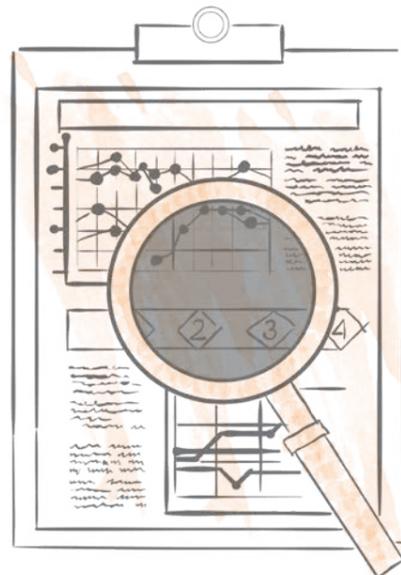
Customers, suppliers and other stakeholders may report complaints or potential incidents of bribery, corruption or other ethical issues regarding Migros employees via the Call Center or by e-mailing etik@migros.com.tr. A total of 5 notifications related to non-compliance with the Migros Code of Ethics were received via these channels in 2017, including one regarding the supply chain. The potential incidents were all resolved after the necessary assessments.

Audit and Compliance Controls

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.

In line with its Human Rights and Equal Opportunity Policy, by 2020, Migros aims to achieve at least 99% compliance with human rights standards in its own operations and all operations that comprise its value chain. In the internal inspections conducted in 2017, **no human rights violations were identified within the operations of Migros**. There were **no child or forced labor cases identified among Migros registered employees**. In Migros, female 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.

The company's human rights statements regarding discrimination, child labor, forced labor, collective bargaining and organizational rights have been independently verified for the reporting period in accordance with the international audit standard ISAE 3000 (Revised).



2. Health and Safety

Safety and Security in the Working Environment

In accordance with the 6331 OHS Law; Head Quarter, regional directorates and stores of Migros are classified as less dangerous, while MİGET, Gebze Meat-Processing Plant, distribution centers and fruit-vegetable warehouses are classified as dangerous. Migros has committed itself to providing its employees with a safe, healthy and secure working environment. In 2013, **the Company set up an Occupational Health & Safety Committee (OHS)** which reports directly to the CEO, **whose members consist of top-level managers from the Human Resources Management and other relevant departments at the Migros Headquarters**. This committee acts as the highest level of management regarding OHS, and evaluates and makes decisions about the OHS processes of all Migros locations throughout Turkey. OHS Committee meetings take place in stores, MİGET, distribution centers and fresh produce warehouses on a regular basis. Committee members are full time OHS experts and workplace physicians that are appointed by following the required legal processes.

In 2017, risk assessments were carried out at stores, headquarters and directorates, distribution centers, fresh produce warehouses, and the MİGET meat-processing

Migros has committed itself to providing its employees with a safe, **healthy and secure** working environment.

plant. Continuous improvement studies were carried out by planning corrective and preventative actions identified by the risk assessment reports. Risk assessments are always completed whenever a new workplace is opened.

Migros uses a customized OHS management software that allows the company to keep track of, and systematically report on, all OHS-related processes and practices centrally. This software ensures that work related incidents are recorded, reviewed and their statistics are compiled; employee health and trainings are followed, risk assessment studies and corrective and preventative actions are monitored, emergency action plans and drills are organized, equipment maintenance and repair records are stored, periodic controls are monitored and site audit reports are prepared.



OHS Controls

Occupational Health and Safety Committees exist in all Migros units with 50 or more employees. Migros got OHS service from accredited firms for its stores, headquarters, directorates, distribution centers, fresh produce warehouses and the MiGET meat-processing plant with 50 or more employees during 2017. **42,152 hours of service were provided by 52 OHS experts, 53 workplace physicians, and 3 other health personnel.** In total, there were 4,705 employees in the stores that received OHS services, which corresponds to 19% of the total employees.

In 2017, as part of the recruitment and periodic general examinations, workplace physicians conducted 8,653 medical examinations. OHS documentation for 198 new stores and 1 distribution center was completed, including their Emergency Action Plans and risk assessments.

Disaster & Emergency Management Agency (AFAD) personnel and local fire department officers provide Migros

stores, headquarters, directorates, distribution center and warehouse employees with Emergency Action Plan training and they also put them through EMP drills. There were 720 work-related incidents reported during 2017 in stores, administrative units and MiGET, a performance that resulted in a frequency rate of 10.23 and a severity rate of 27.90 (Calculated based on 1,000,000 working hours). The number of lost days due to 720 work accidents was 1,699 in 2017. In terms of LFL, there was a reduction in lost days of 5.16% compared to the prior year. In the distribution center and fresh produce warehouses there were 342 work accidents and 1,381 lost work days and the work accidents frequency rate was 26.14. Migros aims to reduce the time lost through providing more trainings and OHS awareness raising and accident prevention activities. The highest risk working group for incidents are the employees who work at the delicatessen and the butchers working in the service sections due to the use of cutting and drilling tools. No days were lost to occupational diseases.

Work accident statistics from OHS assessments in 2017*

Incidents by injury types:**

Injury Type	Percentages (%)
Cuts	44.79
Slips / Falls	16.24
Hit by falling objects	8.03
Being crushed	4.62
Physical impact	4.27
Other	22.05

** Breakdown of the 720 work-related incidents in 2017.



In terms of LFL

5.16%

decrease in lost days



Incidents by region

Marmara	273
Aegean	207
Eastern Mediterranean	79
Central Anatolia	95
Western Mediterranean	66

Incidents by gender

Male	497
Female	223

Migros Occupational Health and Safety Performance

Occupational accidents	2017
Number of accidents	720
Lost Days	1,669
Severity Rate (Lost Days ¹)	27.90
Severity Rate (Lost Hours ²)	0.022

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

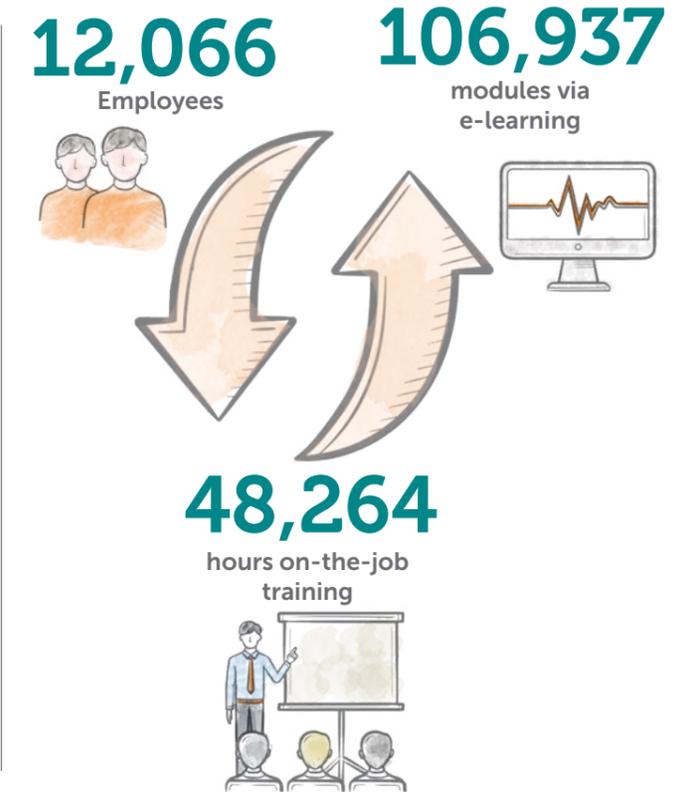
² Lost Hours = Shows how many hours have been lost due to work accidents every 100 hours worked.

* Data of Stores, Administrative Units, MiGET

OHS Trainings

Migros employees are provided with OHS related training. On the job training and periodic OHS training are provided face to face in classroom by occupational safety experts and workplace physicians for new recruits where OHS services are provided. Employee training is also supported by distance learning in all locations. A total of 48,264 hours of face to face on the job training was provided to 12,066 employees by occupational safety experts and workplace physicians. "OHS Foundations" and "Emergency Cases" trainings were provided as 106,937 modules through distance learning. First-aid training for 920 employees at the company's headquarters, directorates, stores, distribution centers, fresh produce warehouses, and MiGET meat-processing plant was completed last year.

First-aid training for **920 employees** was completed in 2017.



3. Product Management

Migros considers offering consumers fresh, high quality and healthy products to be its main duty. Accordingly, public health and development stands out among the sustainability topics Migros focuses on. 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 2017, only 40 cases were identified with monetary fines where regulations regarding product and service information and labelling were not followed in Migros stores. During product safety audits to stores and warehouses, 24 non-compliance cases were determined and monetary fines were paid.



Product Transparency and Informing Consumers

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 contain less sugar, salt and/or fat, Migros makes news additions to its line-up of such products every year. **Migros pays attention to offering products that support healthy lifestyles to customers and it offered 1,192 products in this category in 2017.** 183 of these products are from Migros' own private labels. These products account for 6% of the total products in the same categories. For instance, certified organic, low calorie and healthy lifestyle focused products with the "M Life" label are intended for customers who are mindful of their wellbeing.

In 2017, Migros gave TL 2.76 million of discounts to incentivize the purchase of products that support a healthy lifestyle, are produced for specific health conditions, and with reformulated contents. 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.**

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 and produced by means of traditional methods. In 2017, local seeds and special recipes from 24 districts in 7 regions were considered and **48 Anadolu Lezzetleri** products were offered to customers without compromising their original taste. Migros plans to add 2 more such products to its portfolio in 2018.

Migros packs the vast majority of its organic fruit and vegetable products in its Bursa and Izmir facilities with the necessary certificates and offers them to customers. In 2017, **nearly 500 tons of organic fruits and vegetables were sold.**

Migros has a special place for organic chicken products on its shelves. **Nearly 10% of all chicken products sold in 2017 were organic.** Nearly 15% of total eggs sold in 2017 were organic. Migros encourages its producers and suppliers to increase this ratio.

Migros supports biodiversity and sustainable fisheries by offering to its customers fish that were caught in season and in accordance with established standards that comply with laws and regulations.

Migros acknowledges its responsibility to inform customers about nutritional values and consequently **provided information about seven different nutrients on 185 of its private-label products** in 2017. It aims to increase products with this information to 195 in 2018. Front side information is available on 19 Migros private-label products and 11 of them were reformulated to reduce energy, salt and sugar.



Certified organic, low calorie and healthy lifestyle focused products with the "M Life" label are intended for customers who are mindful of their wellbeing.



Product Quality Audits

50 thousand different food and non-food products were sold in Migros stores in 2017. **With the acquisition of Kipa, product variety has exceeded 75 thousand items.** In the case of product safety, 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.

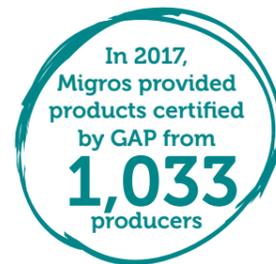
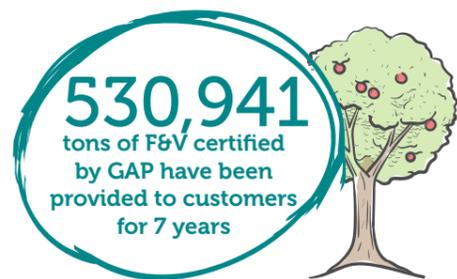
Product and store inspections made in 2017

- 10,158 internal quality inspections on new products
- Quality verification analysis on 6,280 food products and 378 non-food products through an Accredited Independent External Agency



- 2,889 unannounced store verification checks
- Over 20 thousand store hygiene analyses
- 3,181 fresh produce section inspections
- Quality control of 2,030,179 products at distribution centers
- 876 vehicle temperature controls that make shipments from distribution centers as part of data logger and temperature verifications
- 192 unannounced verification checks at Migros Sanal Market operations

In 2017, quality control of 2,030,179 products at distribution centers and 2,889 unannounced store verification checks were implemented.



Good Agricultural Practices (GAP) – Plant Production

In accordance with the procedures and principles of **Good Agricultural Practices (GAP)** that is approved by the Ministry of Food, Agriculture and Livestock, **Migros is the first retailer in Turkey to apply the control system with 224 criteria for its fruits and vegetables.** In order to obtain the GAP certificate, 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; and compliance with GAP principles and practices is checked by means of certification procedures carried out at officially-designated checkpoints.

Migros has Good Agricultural Practices Group Certification including product processing areas and fresh produce warehouses in Antalya, Bursa and İzmir, and keeps up-to-date its certificates with the inspections carried out every

year. In 2017, 126 products from 1,033 producers were supplied. The products supplied were produced in line with GAP procedures and principles and resulted in 280 GAP certificates. The number of supplied products certified by Good Agricultural Practices (which support sustainable agriculture) has reached 530,941 tons since 2010. Migros provides consultancy, training and incentives for suppliers and their producers to switch to the GAP system, and it ensured that 34 producers of 5 suppliers received the GAP certification.

Working to increase the production of dried products (pistachios, nuts, apricots, grapes etc.) in line with procedures and principles of Good Agricultural Practices, Migros came together with the sector stakeholders in coordination with the Ministry of Food, Agriculture and Livestock to contribute to the preparation of quality control points.

Good Agricultural Practices (GAP) – Animal Husbandry

The traceability and sustainability of animal-based foods in order to ensure their safety have become major concerns in today's world. These reasonable demands of consumers have started to be effective in animal production in recent years and brought up the concept of **"Good Animal Husbandry Practices"**. Accordingly in 2013, Migros launched its Good Agricultural Practices in Animal Husbandry, in which it committed itself to the Ministry of Food, Agriculture and Livestock's GAP standards in poultry farming. In 2017, Migros offered to its customers 10 products of chicken and turkey meat from suppliers whose production complied with GAP requirements. In the case of eggs, products supplied by three firms whose farming operations have been certified as being GAP-compliant are now appearing on Migros shelves.

Migros has launched the "Good Honey Project" with the Ministry of Food, Agriculture and Livestock to prevent imitation and deception in honey products, establish good honey criteria, reliable honey production and supply, ensure sustainability in production and reduce losses in honey production. As part of this project in 2017, which is a first in terms of quality management systems in the honey industry and beekeeping, workshops were organized by Ministry of Food, Agriculture and Livestock with official institutions, research institutes, universities, producer associations, control and certification organizations. **Migros aims to offer GAP-certified honey to consumers in 2018.**

In 2017, after the supply of raw milk became legal under certain conditions, Migros yet again led the way and became the first to deliver safe raw milk to its customers. Working with a dairy farm whose operations and products have been awarded EU certification for compliance with international standards pertaining to animal husbandry, in 2017 **Migros achieved yet another first by offering GAP-certified raw milk.**

Migros offered GAP-certified raw milk to consumers in 2017 and aims to offer GAP-certified honey in 2018.



Turkey's Biggest Fresh Meat-Processing Plant: MİGET

Besides owning and **operating the biggest fresh 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 MİGET are also subject to Turkish Standards Institution (TSE) certification. Products are subject to laboratory analyses and veterinary inspections in MİGET's own facilities and **make it through 220 checkpoints before they appear on the shelves.**

Migros produces red meat products and meatballs ready to cook with the brand of **"Uzman Kasap" (Expert Butcher)** untouched by human hands. By following the technological developments in the world closely and using the most appropriate packaging techniques for food, Uzman Kasap ensures that red meat products keep their freshness for a longer time and contributes to the prevention of food loss.

Responsible Advertisement and Marketing

Migros commits to comply with all regulations and rules in all its advertisements, marketing and published communications in the countries where it operates. No

non-compliances were identified and no monetary fines were incurred during the reporting period regarding advertisement, publicity and sponsorship activities.

4. Our Supply Chain

Retail companies have indirect impacts on sustainability caused by their supply chains, apart from their direct operations. These impacts can range from effects on community health in the context of product safety, impacts on climate change due to production and distribution of products, 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.

With this perspective, **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:



Supplier Selection

Detailed investigation and research, which help to reveal financial, legal and ethical risks and opportunities related to the company, are carried out before the decisions on selecting suppliers, business partners and agencies are made. Companies are investigated through official organizations regarding their trade register, and commercial history of bribery, corruption and ethical issues are investigated through digital platforms. In addition to these investigations, 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. Initially, supplier candidates are subject to product safety audits. Companies that take place in supplier status are then subjected to SEDEX based ethical / social audits in accordance with audit periods. In this context, the issues of accountability, ethical behaviour, respect for the rules of law, respect for international norms and respect for

human rights are evaluated. In 2017, 87 candidate suppliers were audited and Migros moved on to work with 62 new suppliers. 3.2% of these new suppliers are subjected to SEDEX based ethical / social audits. For the rest, SEDEX based audits are planned within 2018 in accordance with audit periods.

Supplier candidates are subject to pre-qualification audits. In 2017, **87 candidate suppliers** were audited and Migros moved on to work with **62 new suppliers.**

Expected Responsibilities from Suppliers

Working standards, human rights, environmental practices and occupational health and safety and quality standards which Migros expects from suppliers are explained in detail in the **Responsible Sourcing Policy**. 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 allows suppliers to track their trade relations with Migros transparently and instantaneously. **Migros makes its corporate policies into online trainings and shares them with new employees and suppliers every year.** An online training was prepared and given to 1,285 suppliers using the platform. 1,200 suppliers were brought together in the annual Migros Business Partners Summit in 2017 where the annual evaluation and face to face communications of Migros 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

Every year, Migros brings **1,200 suppliers** together in the Migros Business Partners Summit where the annual evaluation were held

the employees of the suppliers cannot be subject to verbal, physical and sexual violence, forced or child labor and religion, language, race or 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 through assessment surveys and site inspections, whether its suppliers provide their employees with a safe and fair working environment, health and safety precautions, and pay their wages. Annual targets are monitored and reported through supply chain risk assessments. Information on the social audits from Migros to its suppliers within the scope of **Migros' 2017 Responsible Sourcing Policy, have been subject to independent external auditing and independently verified** in accordance with the international ISAE 3000 (Revised) standard.



Quality Inspections for Suppliers

Migros gives great importance to the selection of suppliers and follows its suppliers' practices in the framework of responsible retailing and offers them assistance and guidance to improve their performance. Migros regularly conducts quality inspections of its suppliers and monitors their compliance with the Responsible Sourcing Policy.

Migros conducted 1,027 audits of 92% of its main suppliers that make up 80% of its revenue, by an accredited independent external auditing firm in 2017. The rest of the suppliers are mostly importer companies and their products were controlled according to relevant regulations before they are put up for sale. 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.

Migros, which has supervised its suppliers since 2005, has started to implement supplier inspections in compliance with global standards as of 2017.

On the first day audit, suppliers' product safety practices were performed under the 'BRC Global Market' audit control list recognized by GFSI (Global Food Safety Initiative). Successful suppliers have been featured on the **British Retail Consortium (BRC)** portal and their success levels have been announced worldwide. In 2017, **576 'BRC Global Market' inspections were carried out and suppliers**

Migros conducted **1,027 supplier audits** in 2017.

achieved 82% success. 41 follow-up audits in scope of BRC were carried out and improvements were noted in 71% of these suppliers.

During the second day audits, operational activities of suppliers were monitored and their impacts on humans and the environment and sensitivity to ethical and social issues were audited. In this context, supplier practices in the context of SEDEX criteria which includes environmental management, occupational health and safety, ethical and social compliance requirements and the scope of SA8000 were audited. Successful suppliers in these inspections, which have an important place in sustainability studies, are entitled to receive **GC-SEDEX** certification. In 2017, **451 GC-SEDEX audits were carried out and 83% of the suppliers were certified.** 28 follow-up audits in scope of SEDEX were carried out and improvements were noted in 75% of these suppliers. The third and final follow-up audit will be conducted for the remaining 7 companies. In the case of failure, the commercial relationship can be terminated once the evaluation has been made. Migros did not terminate trade cooperation with any of its suppliers due to social incompliance during the reporting period.



Type of Audit	Number of Supplier Audits	Success Rate	Number of Follow-Up Audits	Success Rate of Follow-Up Audits
Product Safety - BRC Global Market Audit	576	82%	41	71%
Environment and Ethics – GC-Sedex	451	83%	28	75%
Bakery Audit	195	78%	58	60%

63% of Migros' suppliers received the "GC Migros Approved Supplier" certificate.

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, 4 cases of child labor were identified in the reporting year. Warnings were given to those deemed higher risk suppliers for child and forced labor.

As part of the supplier audits for ethical and social compliance, it was determined that 26% of the cases of non-compliance were about occupational health and safety, 14% were about environmental requirements, 9% about resource management, 6% about social responsibility policy, 5% about working hours and wages and 1% about disciplinary practices.

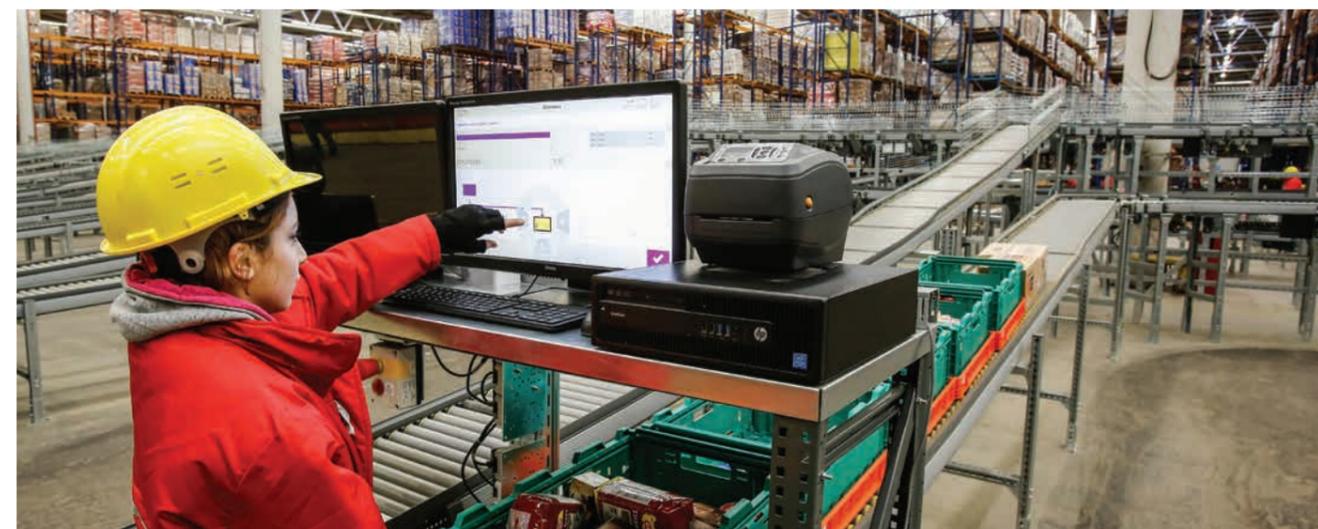
According to their success in the audits, suppliers approved by Migros were evaluated in three categories as "Gold",

"Silver" and "Bronze" and also they had the opportunity to announce their successes on the GC Portal. In 2017, 63% of Migros' suppliers were successful in both surveys and entitled to receive the "GC Migros Approved Supplier" certificate.

As a retailer of agricultural products, **Migros places special importance on the producers and suppliers of fruits and vegetables.** 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 produce suppliers, production areas and labor principles that also cover storage and packaging facilities.** The average success rate of produce suppliers audited in 2017 were 90%.

Migros also audits bakeries, which supply daily breads in all stores as part of the **"Bakery Project"** launched in 2017 with the control list specially prepared in the context of product safety practices. In 2017, **a total of 195 inspections were carried out in 137 bakeries by an independent external auditing firm.** As a result of all audits, a success ratio of 78% was achieved. In order to improve, 58 follow-up audits were carried out and an improvement rate of 60% was achieved in these bakeries.

In relation to the supply chain, Migros has not received a negative notice from non-governmental organizations or other external organizations during the reporting year.



5. Corporate Social Responsibility

Migros identifies areas of need in society and focus to work on social responsibility projects in these areas; engaging with its stakeholders in a variety of projects in the areas of education, sport, and health.

Good Living Store Tours for Children

Continuing its approach for striving to supply its customers only with the best, freshest, and the highest-quality products, in order to carry out social responsibility projects towards the community health, Migros emphasizes the importance of balanced nutrition and physical exercise for human health and wellness.

Free theatre plays for **1 million** children over the last 23 years.

Migros believes that behavioral changes acquired at a young age are more effective and target children for awareness-raising activities on community health. The Migros Children's Theater Festival has brought nearly 1 million children together through theatre at no charge over the last 23 years. In the last two years, at the end of the festival Migros employees provided short trainings to child audiences that were related to Migros' Growing up Healthy guidebooks that was prepared with the Food Safety Association.



In addition, Migros began organizing Good Living Store Tours for children with the voluntary participation of its employees in 2016 and continued the tours in 2017. The tours were organized at 205 Migros stores in 65 provinces by volunteer store managers with the participation of invited children and their families from the surrounding areas.

Children are educated and informed on many topics ranging from the benefits of fruits and vegetables to the control processes on the products before reaching the shelves, from the Good Agricultural Practices to the subtleties of label reading. Children were also informed about the benefits of waste collection boxes in stores and the difference they can make for a better future by recycling. Migros' Growing up Healthy guidebook was gifted to the children on the tours where balanced nutrition and physical activity were emphasized.



By the end of 2017, Migros had reached 81,000 children with all the projects that had been organized as part of the of good living awareness program.

Reached out **81,000** children in two years through healthy and good living educations.



Accessible Store Project

Migros started the 'Accessible Store' project, which brings together the services it offers to disabled and elderly customers under one title. The project was piloted in 2016 and **48 Migros and Macrocenter stores in 12 provinces** were labelled as 'Accessible Stores' in 2017.

In Migros and Macrocenter stores, which are suitable for the Accessible Store concept, there is **at least one employee, who knows sign language** to help with hearing impaired customers, and customers can distinguish these employees from their badges that indicate they know sign language. The shelves of these stores, which have **ramps and balustrades at the entrance to facilitate the passage of handicapped vehicles**, are also designed to fit wheelchairs. Stores which offer **wheelchair service for elderly customers' use** have least **one cash register with a width of 90 cm** indicated by special signaling that is **prioritized for disabled access**. In these stores, a Migros employee assists disabled and elderly customers during their shopping if they ask for help.

48 stores in 12 provinces removed all shopping obstacles



Other CSR Projects

Migros' longest running project in the field of sports, "Special Support for Athletes with Special Needs" was transformed into the "Little Athletes" project in 2016. Part of the revenue from Procter & Gamble products sold at Migros stores are donated to Turkey Special Olympics Committee, children who need special education between the ages of 2 and 7 are allowed to improve their coordination skills and socialize with their peers. The project has made it possible for 5,900 special young people to be introduced to sports, with the contributions of 9 million Migros customers in 13 years.

5,900 special young people has been introduced to sports, with the contributions of **9 million Migros** customers



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. Since 2013, **48,194 books have been donated** in this way and sent to schools all over Turkey. Every year at the week of April 23th, customers who want to cheer needy children up, can donate toys, children's book and stationary items that they buy from Migros stores by putting them in the bins of **Educational Volunteers of Turkey (TEGV)**.

Under the "Clothes Donation Campaign" that Migros has traditionally been conducting jointly with Ariel (a P&G detergents manufacturer) since 2010, the company has supported the donation of more than 600 thousands garments to 275 thousand children.



600 thousands of garments were donated to **275 thousand** children.

Family Clubs

Migros has implemented Family Clubs with the belief that one of the most important stages of support for the gender equality struggle is education. Along with the İnegöl Family Club's launch in 2017, Migros has spread its work on this area to 12 locations in 9 provinces. **Family Clubs offer free vocational and skills development courses** and provides opportunities for everyone to socialize with people that have the same interests.

In Family Clubs, a wide range of 33 different field trainings were provided. The trainings included **pastry and cooking, hand embroidery, tile, ceramic painting, coloring and leather design** and language courses such as **English, German and Spanish, diction, reporting and photography**.

Family Clubs have reached out **36,200 people** since it was established to the end of 2017.

The Family Clubs, which aim to contribute to the development of children, **offer chess, painting and guitar training to children.**

Family Clubs has spread its work to **12 locations in 9 provinces**

In addition, children's knowledge and imagination are improved by organizing **workshops on coding and renewable energy sources**, which are among the most important topics in the modern world.

There are women from all over Turkey, who participated in Family Clubs that established their own businesses with the knowledge and skills they have acquired in these courses.

36,200 people have been reached through Family Clubs since it was established to the end of 2017.



C. Environmental Performance



In line with its **Environmental Policy**, Migros continues to monitor, control and minimize the environmental impacts that may arise as a result of its operations. Migros commits to carry out its activities in accordance with these principles and review its Environmental Policy regularly.

Migros in line with its environmental management vision;

- Complies with environmental laws.
- Carries out studies to measure and reduce carbon footprint every year.
- Carries out environmental impact assessment before opening new facilities.
- Supports studies in conservation of biodiversity.
- Develops projects for efficient use of resources such as water and energy.
- Seeks to economically utilize the waste generated by operations.

- Develops new solutions with its suppliers to foster sustainability throughout the life-cycle of all products delivering to the customers.

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

Migros continues to work with the goal of continuous improvement. In 2017, there were no incidents of non-compliance with environmental laws and regulations.



1. 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 are responsible for improving the company's environmental performance by converting this strategic approach into development 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.

In 2017, Migros invested a total of TL **2.7 million** as part of its environmental management activities.

Moreover, in order to identify risks and opportunities related to climate change, Migros conducts an annual

evaluation with a team from departments connected to the Sustainability Committee. Migros identifies the risks posed by changes in legislation and physical climate parameters, as well as other parameters related to climate change (changes in consumer behaviour and company image), while monitoring and reporting the details and financial outcomes and developing solutions.

Accordingly, **direct impact from retail operations on climate change is mainly due to the use of electricity and refrigerant gases.** Lighting, air conditioning and cooling operations in stores and distribution centers generate direct and energy indirect greenhouse gas emissions. **The source of indirect effects is transportation of products.**

The main risk that climate change causes for the company is precipitation changes. In this context, it is foreseen that the effects of events such as increase in flooding and snowfall may result in a total loss of approximately TL 445 thousand over the next 5 years. As a precaution, the stores are insured against possible floods and other natural disasters.

In 2017, Migros invested a total of TL 2.7 million in natural cooling systems, energy efficiency and system improvement activities, waste management, sustainability consultancy, ISO 14001 certification and annual carbon emissions verification as part of its environmental management activities.



Contribution to Biodiversity

Turkey is one of the signatories to the Convention on Biological Diversity developed by United Nations Environment Program (UNEP). Since 1997, when the Convention was put into force, all statutory permits granted by the government has also covered biodiversity. Accordingly, **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.** There is no activity that pollutes soil and water, toxic effects on living things that lives and grows there, or affects the productivity negatively. Nevertheless, Migros is working to reduce all effects, even indirectly. The company manages water consumption, waste discharge and solid

Migros prefers to work with suppliers that adopt GAP.

waste carefully, supports recycling and develops social projects to increase public awareness.

In order to manage its impact arising from the supply chain, Migros prefers to work with suppliers that adopt Good Agricultural Practices (GAP) in agricultural production and animal husbandry. Thereby, helping reduce negative impacts on biodiversity around agricultural production and helping to ensure animal welfare. Migros also 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

Migros identifies its climate change and sustainability related activities and goals in the light of international norms, national regulations, UN Sustainable Development Goals and the Consumer Goods Forum (CGF) commitments and principles.

The Republic of Turkey is one of the signatories of The Paris Agreement, which constitutes the framework for the post-2020 climate change regime. Accordingly, it has announced its Intended Nationally Determined Contribution as a 21%

reduction in greenhouse gas emissions from the business as usual level by 2030. Migros has set its environmental goals regarding decreasing carbon emissions primarily in line with national goals.

In addition, as a member of CGF, which is committed to reducing the impact of the industry's climate change through the fight against deforestation, dissemination of natural cooling systems and waste management, Migros is a signatory of CGF commitments.

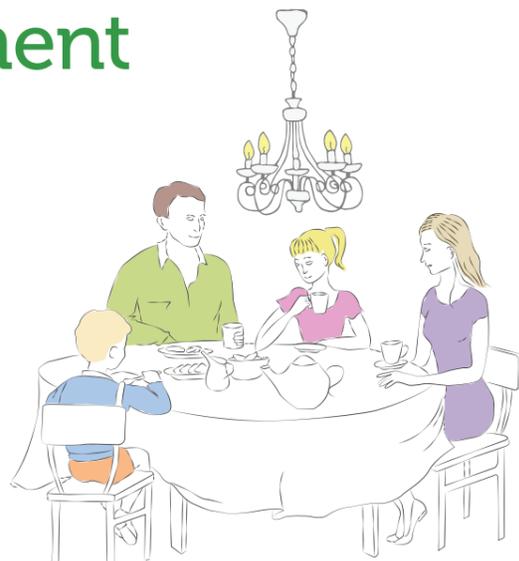
Main Goals

Target year	Base yıl	Commitment
2022	2013	Reducing the electric energy consumption per square meter of daily sales area by 13%
	2015	Reducing the carbon emissions per square meter of daily sales area by 13%
	2016	Reducing the annual water consumption per employee by 6%
2025	2016	Reducing the ratio of food waste disposal to total food sales in tonnage by 50%

2. Energy Management

Energy consumption by source (MWh)

	2015	2016	2017
Electricity	386,957	417,362	421,617
Natural gas	4,679	8,159	6,104
Diesel	14,433	13,999	14,629
Gasoline	12	21	55
Total	406,081	439,541	442,405



In **4 years**, energy equivalent to the consumption of approximately **105,600 households** per month has been saved.

Migros' total electricity consumption in 2017 was 421,617 MWh. In 2018, Migros aims to reduce electricity consumption per square meter of daily sales area by 1.5% compared to 2017. There is no renewable energy production or consumption, and there was no heating, cooling and steam consumption or energy sold during the reporting period.

By 2022, Migros aims to reduce its energy consumption per square meter of daily sales area by 13% compared to 2013. Despite increasing the number of stores, 6.6% reduction of this target was completed in 2017. Thus, energy equivalent to the consumption of approximately 105,600 households per month is being saved.

Reduction target (electricity consumption)

Base Year	2016-2017 Actual	2022 Target	2013-2017 Achieved
2013	%1,25	%13	%6,6

Targeting a reduction in electricity consumption per sales square meter of 1.5% in 2017 compared to 2016, Migros achieved a reduction of 1.25%. Despite improvements in energy efficiency, the reasons for not achieving the annual target at the foreseeable level are:

- Due to the widespread use of M Bakeries for customer experience, in previous years the number of stores which had an M bakery section was 257, however this number was increased to 524 in 2017.
- In line with product development ,widespread use of refrigerated cabinets in stores

Electric energy consumption per square meter of daily sales area (kWh)

2013	2014	2015	2016	2017
1,186	1,144	1,131	1,121	1,107



Energy Saving Practices

To reduce energy consumption and greenhouse gas emissions in new and renovated stores, variable flow control and efficient high-level automation systems are preferred and environmentally friendly systems are used for air conditioning and industrial cooling systems.

Energy consumption is measured daily, weekly and monthly and Migros takes measures to reduce energy consumption and greenhouse gas emissions. **The company has established an automation system that centrally controls cooling, conditioning and lighting systems in order to control energy consumption.** As the number of stores has increased over the years, the system has become widespread, and cooling, air-conditioning and lighting processes have been made trackable from more points and remote controlled.

Number of stores with automation systems

	2015	2016	2017
 Cooling automation	1,178	1,317	1,586
 Air conditioning automation	814	937	1,061
 Lighting automation	578	706	856

In 2017, old lighting fixtures in stores were replaced with new generation fixtures, which provided **energy saving of 8% per store.**

Achieving the **maximum benefit from sunlight by using daylight lighting systems** in its suitable stores, Migros prevents the formation of heat islands by choosing a particular heat insulator dye that reflects sunlight from its store roofs. **Motion sensor lighting systems are used in the storage units.**

In 2017, old lighting fixtures in stores were replaced with new generation fixtures in 27 stores, which provided a total energy saving of 8% per store.



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. Alaçatı Macrocenter store also received the LEED Gold Certificate in the Operations and Maintenance category.



Green IT Policy

By following the concept of Green IT, Migros replaced 90% (700 units) of traditional desktop computers at 165 Kipa stores, which it acquired in 2017, with thin units that consume less energy. At the same time, it completely shut down the server systems (350 units) in stores and saved 300 MWh of energy in 6 months. **The use of these new generation devices provides energy savings of 80% each year.** In addition, 40 tons of unused electronic devices have been recycled.

Migros' Green IT practices include replacing **the majority of its traditional servers with new-generation hyper-integrated servers**, server virtualization, and cloud technology deployment. As a result of these changes, **energy savings amounting to 75%** have been achieved. In 2018, Migros plans to shut down the main data center of Kipa in Çiğli and the disaster data center in Torbalı, and run its applications from the existing Migros Data Center, saving over 1,500 MWh of energy annually.

Migros benefits from video conferencing which for job interviews for activities 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 8,000 job interviews (approximately 10,000 hours) were conducted via teleconferencing during 2017. In addition, **more than 50% of the company's intercity business meetings were teleconferenced** last year, substantially reducing unnecessary business travel.

Energy savings amounting to **75%** via cloud technology



3. Carbon Footprint

While GHG reporting is not mandatory for the retail sector in Turkey, Migros has been calculating its corporate greenhouse gas emissions since 2014 in order to monitor and reduce indirect and direct impacts on climate change. 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 calculates and reports its annual GHG emission intensity in terms of "carbon emission equivalent (kgCO₂e) per square meter of daily sales area" in order to be able to track emission performance independently with other growth parameters.

In 2017, **Migros aimed to reduce carbon dioxide emissions of "Scope 1 and Scope 2" per square meter of retail sales area by 1.5% compared to 2016 and greatly exceeded its target by reducing it by 8.5%.** The Company aims to keep the same target and to achieve a 1.5% reduction for 2018.

Migros, despite the increasing number of stores, in 2017, has reduced its greenhouse gas emissions (Scope 1 + Scope 2) from its corporate activities by 5.25% compared to the previous year, especially with improvements to prevent gas leaks in cooling systems.



Reduced carbon dioxide emissions per m² of retail sales area by **8.5%**



Corporate Greenhouse Gas Emissions by Year for Operations in Turkey

	2015	2016	2017
Scope 1 emissions (mtCO ₂ e)	228,541	247,915	223,367
Scope 2 emissions*(mtCO ₂ e)	179,715	184,057	185,933
Scope 3 emissions** (mtCO ₂ e)	63,857	71,965	76,058
Total Greenhouse Gas Emissions* (mtCO ₂ e)	472,113	503,937	485,358
Carbon emission per square meter of daily sales area (kg CO ₂ e)	1.19	1.16	1.06

*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, wastes, transportation, virtual market tools, personnel services, customer service and energy-related emissions not covered by Scope 1 and Scope 2 activities.

Total reduction of its greenhouse gas emissions from its corporate activities by 5.25%

Migros does not have a production plant that causes air pollutants such as dust, heavy metals, combustion gases, volatile organic compounds, fluorine, and chlorine. For this reason, Migros focuses on reducing its carbon emissions.



Improvements in Refrigeration Systems

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.

In line with this approach, Migros uses ammonia instead of HFC as a refrigerant at MİGET meat-processing plant. For the first time in 2015, a pilot project was commenced at **Taşdelen Migros M store for the use of a natural refrigerant system** in stores, and **glycol was experimented with to chill individual cabinets rather than HFC-R404a**. 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%.

Emission reduction of **38%** was observed due to less use of R22 gas.

In 2016, Migros took its operations one step further and tried to **chill the refrigerated cabinets by circulating cold water in Cekmekoy Koru store and using glycol-propane** which is a natural refrigerant to cool the water. This system which has been documented as 'Beneficial Invention' and to which Migros holds a patent, uses 100% natural refrigerants and refrigerant gas emissions are reduced from thousands tons of carbon dioxide to almost zero. In the Şile Doğancılı 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, was targeted to be used in 3 more stores in 2017. However, Migros focused on system development instead of spreading its use among stores because of the high electricity consumption of the new system. A test room was created in 2017 in order to measure the electricity consumption of existing and new cooling systems, where system development studies were carried out. As a result of the development efforts, the desired level of electricity consumption was reached and it **was decided to implement the system in 10 new stores in 2018**. In 2022, the Company plans to increase the number of stores operating this system to 250.

In addition, since 2016, the use of gas leak detectors was made compulsory for maintenance. In 2017, **comprehensive maintenance was carried out in the cooling systems of 100**

The system to which Migros holds a patent, uses 100% natural refrigerants and refrigerant gas emissions are reduced to almost zero

stores and gas leaks were prevented. **Cooling systems of 30 stores have been completely renewed and possible gas leaks were averted.** Moreover, the strategy of using gases with lower emission coefficients among refrigerants was adopted in 2017. In 2016, 25,664 kg of R22 gas was used, whereas this value was determined to be 15,798 kg in 2017. Therefore, an emission reduction of 38% was observed due to less use of R22 gas. By **reducing the critical alarm limits in refrigerated cabinets**, a more efficient performance monitoring was ensured and gas leaks were reduced through fast intervention in detected points.



Sustainable Distribution Systems

Migros conducts efficiency projects to reduce logistics-based energy consumption and greenhouse gas emissions. 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. In 2017, CO₂ emissions per unit transported increased by 2.5% compared to the previous year. In contrast, a 1.39% reduction in the value of emissions per unit product, which occurred during Migros' stores shipment, was achieved. This situation indicates that the increase per unit transported is based not on the transport of stores including customer and store deliveries, but rather on the transport between the warehouses. In 2017, number of products, which is transported by Migros, has increased and Migros has got a portion of the shipments previously undertaken by the suppliers. In addition, new distribution centers have been added to Migros' distribution network, resulting in a reduction in the carbon emissions from the store's delivery

of products. In 2018, a 0.5% reduction is targeted compared to 2017. By 2022, a reduction of 1.2% CO₂ emissions per unit transported is aimed compared to 2016.

In order to reduce its environmental impact, 17 electric vehicles were added to the Migros Sanal Market fleet during the reporting period.

1.39% reduction in the value of emissions per unit product, which occurred during Migros' stores shipment

CO₂ emissions per unit transported in Distribution Center deliveries (kgCO₂e)

2015	2016	2017
0.0366 kgCO ₂ e	0.0364 kgCO ₂ e	0.0373 kgCO ₂ e

number of electric vehicles

17



4. Water Management

Migros conducts activities to ensure the efficient use of water, one of the most important natural resources, and to prevent the environmental impacts of the wastewater that has become the result of its operations. In this context, water consumption used in all business units (stores, headquarters, branch offices, production plants, distribution centers) is monitored monthly, reported to the executives, and water consumption is reduced by using efficient equipment.

The majority of water used in Migros operations is retrieved from the municipal water mains with only 1.8% of water consumed sourced from wells. **There is no significant water source affected by the company's water use.** The wastewater generated in the stores is discharged to municipal sewage systems. Gebze Şekerpinar and Kemalpaşa Distribution Centers have their own wastewater treatment systems. Wastewater generated in Gebze Şekerpinar is discharged to the sewer system and wastewater of Kemalpaşa is discharged to Nif River after reducing its pollutant levels well below the legal pollutant limits. **98,78% of total water consumption is discharged to the sewage networks.** Thus, Migros does not have any activity that causes water pollution and ensures that there is no significant effect on biodiversity quality of water resources as a result of their operations.

In 2017, Migros surpassed its goal with a reduction of water consumption per-capita by **1.75%**.

Water Efficiency

In Migros' operations; stores, Headquarters, distribution centers, fresh produce warehouses and MİGET 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

In 2017, water management trainings were provided to **14,073 employees** within the Environment and Waste Management trainings

equipment. In 2016, the company began monitoring and reporting its water use on an average per-capita basis. Special screens were developed for entering the water consumption data from every store on the intranet of the company.

In addition to all these in 2017, Water Management trainings were provided to 14,073 employees within the Environment and Waste Management trainings.

In 2017, Migros had a target to reduce its water consumption per-capita by 1% compared to the previous year and it exceeded this goal with a reduction of 1.75%. **By 2022, Migros aims to have reduced water consumption by 6%.**

In 2017, **Migros started to respond to CDP Water in addition to its CDP Climate Change response.** Accordingly, Migros also started to monitor water consumption per sales square meters in order to track consumption in line with similar global studies. **Water consumption of Migros' sales operations makes up for 85% of the total water consumption.** Water consumption per sales square meters was 664.20 litres in 2017.

98.78%
of water consumption is discharged to the sewage networks after reducing its pollutant levels

Water Consumption Rates

	2015 (m ³)	2016 (m ³)	2017 (m ³)
Total water consumption in all workplaces	637,533	691,799	761,152
Annual water consumption / annual number of employees	2.75	2.61	2.56

Water Discharge Rates

	2015 (m ³)	2016 (m ³)	2017 (m ³)
Discharge to Sewage	98.25	98.4	98.78
Discharge to Receiver water body	1.75	1.6	1.22

2017 Water Sources Breakdown



Well Water
13,906 m³
1.8%

Mains Water
747,246 m³
98.2%

5. Waste Management

Types of Waste and Disposal Methods by Year

Waste Type	Disposal Type	2015 amount (tons)	2016 amount (tons)	2017 amount (tons)
Non-Hazardous	Recycling/Recover	9,924	8,672	8,821
	Reuse/ Animal Feed	58	101.3	193
	Biogas/Composting	5,728	4,772	4,748
	Delivery to the Municipality	19,085	20,552	25,533
	Haytap Donation	35	45.3	281
	Donation to Food Banks	-	-	58
	Hazardous	Recycling/Recover	40.24	19
Biodiesel		19	24	23
Incineration		1.71	2.1	1.23



In Support of Recycling

Migros seeks to utilize the waste generated by its operations economically. 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 has been carried out at the Branch Directorates, discarded packaging, paper, and glass as well as organic waste have been sorted/segregated at source for recycling. With the project that was started in 2015, **1,946 trees have been saved and 362 liters of gasoline consumption was avoided solely through the employees recycling daily paper and glass waste.**

In 2017, Migros conducted a joint project with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO) to install collection & storage bins in its stores and raise awareness on recycling among customers. Through this project, **packaging waste collection points were established in 401 Migros stores** and the awareness was raised among store employees and customers about waste separation and collection at the source. "Green Point Shopping Activity" was carried with ÇEVKO Foundation in 16 Migros stores and **6,550 customers were informed about packaging waste recycling.** TL 5 Migros Gift Cards were given to 2,126 customers who fulfilled the activity conditions.

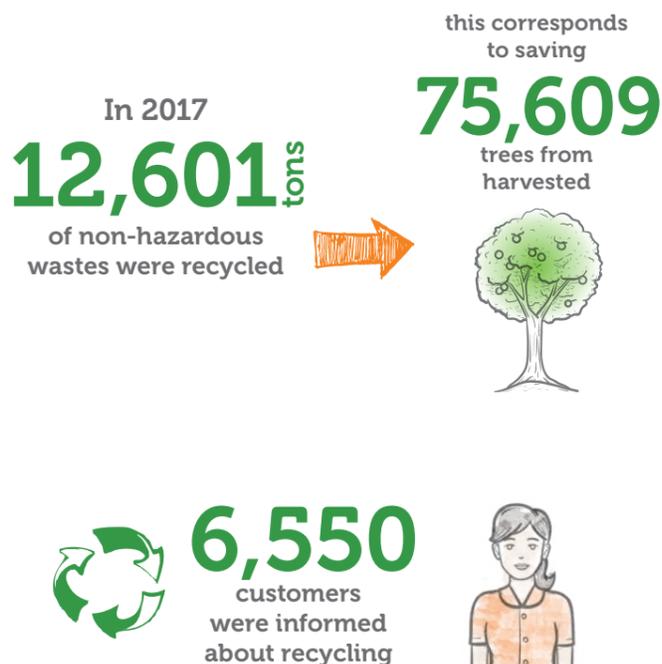
Non-hazardous waste consisting of metal, wood, paper, plastic, and glass that is generated by the company's



3,874 tons packaging waste of private-label products were collected and recycled

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 ÇEVKO Foundation, the packaging materials used for Migros' private-label products are also collected and recycled. Within the scope of existing targets in the Regulation on the Management of Packaging Waste, Migros has an updated improvement target every year. By meeting the target for 2017, 3,874 tons packaging waste were collected and 54% of the packaging waste of private-label products were recycled. This target has been raised to 56% for 2018. In 2022, 60% recycling is targeted.

As a result of all of these efforts on Migros' part, **12,601 tons of waste wood, paper, metal, plastic, and glass were recovered and recycled in 2017. It is calculated that this corresponds to saving 75,609 trees from being harvested.**

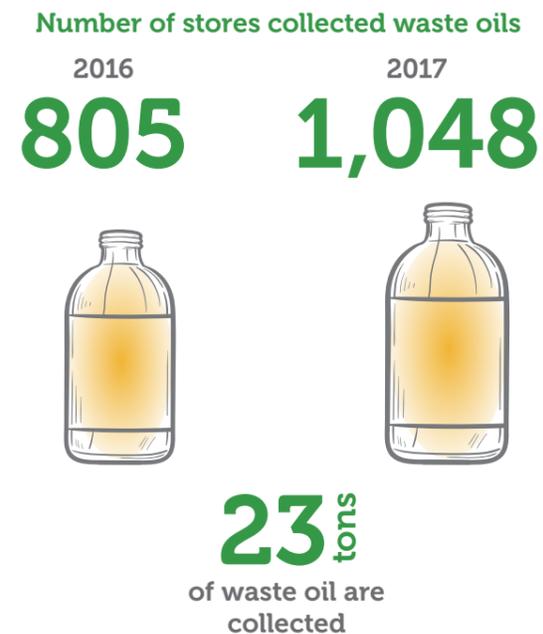


Waste Collection Campaigns

Through the Environmental Kiosks, Migros encourages its customers to sort their glass, metal, and paper waste so they can be recycled. Waste such as batteries, electronic equipment, and used cooking oil, whose environmental impact is especially serious, is also collected at Migros stores and picked up by licensed firms for recycling/disposal.

Since 2010, the year in which Migros originally launched its **Environmental Kiosk program, 8.45 million pieces of packaging waste have been collected.** In return for the waste that they put in the kiosks' bins, customers are able to support endangered green sea turtles by donating to the World Wildlife Fund or contribute to the Aegean Forest Foundation's tree-planting efforts. In 2017, **Migros planted 177 saplings thanks to the recycled wastes brought by its customers. 100 sea turtles were adopted in 2017 thanks to Migros customers who made donations to WWF.**

Waste oils that are poured into the sewer system pollutes soil and water, and 1 liter of waste oil makes 1 million liters of clean water unusable. The waste oils Migros collects from its customers at its stores and through Migros Sanal Market are sent to a firm authorized by the Ministry of Environment and Urbanization. Production of biodiesel is carried out with these waste oils. In 2017, Migros raised the number of stores offering this service to 1,048, up from 805 in 2016. In 2017, 23 tons of vegetable waste oil were sent to authorized firms. **Collected waste oils also helps sea cleaning efforts via TURMEPA Clean Sea Foundation.**



Migros also helps dispose hazardous waste like batteries and electronic equipment in a respectful manner to the environment. In 2017, with the battery collection bins in its stores, **Migros sent 3 tons of waste batteries to TAP,** the Portable Battery Manufacturers and Importers Association, which is licensed by the Ministry of Environment and Urbanization.

In 2017, a total of **95 tons of electrical and electronic waste** that customers brought to the stores were turned over to the recycling centers of ministry-licensed organizations and recycled.

Migros Sanal Market project, which has started in September of 2017, collects waste vegetable oils and waste batteries from customers' homes and bring them to the recycling points. Within the scope of the project, 211 kg battery and 252 kg waste vegetable oil were taken from the homes of the customers and recycled.



Preventing Waste and Combating Deforestation

In order to combat deforestation and to replace the forests that were destroyed by fire and preserve biodiversity, **Migros has been planting saplings with the Aegean Forest Foundation for 10 years in Dikili, Torbalı, Şirince, Çeşme, Seferihisar and Urla.** With 2,200 saplings in 2017, the number of planted saplings in total reached 543,350. Migros also supports the Aegean Forest Foundation by allowing products from planted saplings to be sold in its stores and sending all proceeds to the foundation.

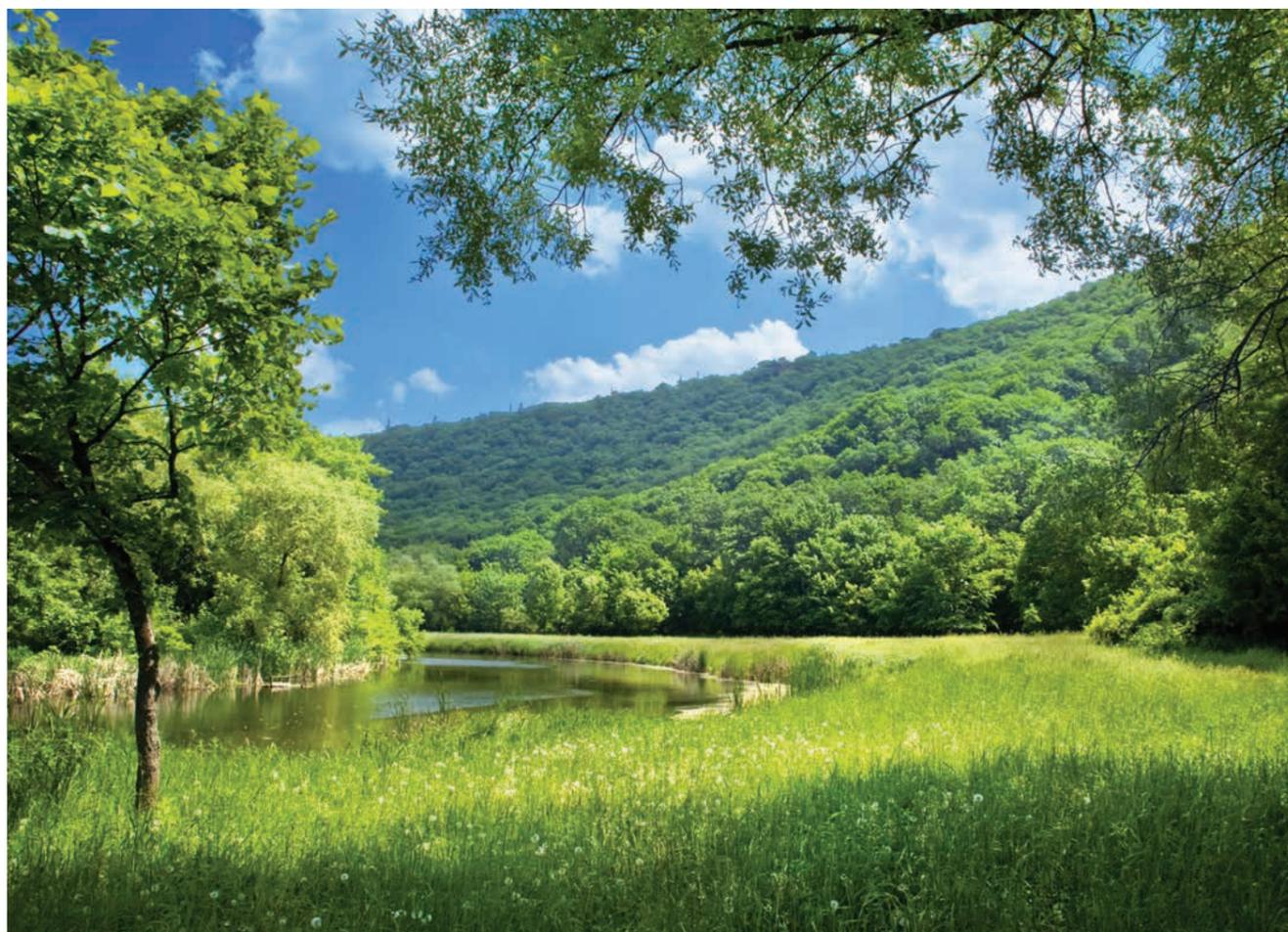
Migros selects the size and design of all printed marketing materials in a way that minimizes paper consumption. Additionally, it prints all **campaign and advertisement inserts and booklets on recycled paper. It is calculated that the 1,737 tons of recycled paper used in this way in 2017 preventing the harvesting of 29,529 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 2017, **the usage rate of Mobile Money Club Card reached 47% in shopping**

Migros has planted **543,350 saplings** in the Aegean region for 10 years

transactions with the program.

In order to reduce paper consumption in Migros store operations, the company has been using a tablet-based app called "MIO". Thus, the app makes it possible for Migros 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 2017. Besides **improving work processes, it is calculated that this practice saves 50.7 tons of paper a year.** Sustainable papers are preferred in photocopy papers used in Migros Headquarter. Photocopy machines work with employees' identification cards, thus avoiding unnecessary printing.



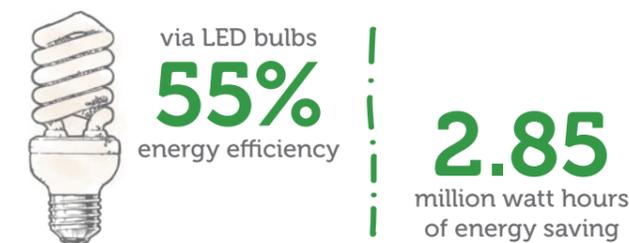
Solutions that Encourage Customers to be Eco-minded

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 2017 replaced 475,000 conventional bulbs with LED devices, thereby achieving 55% energy efficiency and conserving 2.85 million watt hours of electrical energy.

In addition, Migros, which sells reusable, environmentally-friendly shopping bags and cloth bags in stores, has sold 208,522 green bags, green non-woven bags and cloth bags in 2017. The company is the first retailer to launch eco-friendly bags. All the bags offered to customers at Migros stores are oxo biodegradable. The number of bags used per customer in 2016 was 1.77, which decreased to 1.67 in 2017, surpassing the previously committed mark of 1.744 for 2021. In accordance with the regulations of the Ministry of Environment and Urbanization, customers will have to pay for shopping bags starting January 1st, 2019.

The number of bags used per customer decreased to **1.67** surpassing the target

As a result, the Ministry aims to reduce annual bag consumption per capita to under 40 by 2025. Accordingly, Migros continues to promote less use of bags.



	2015	2016	2017
Number of Conventional Bulbs Replaced with LEDs	95,000 pcs	380,000 pcs	475,000 pcs
Energy Saving	570 thousand watt	2.28 million watt	2.85 million watt

Preventing Food Loss and Waste

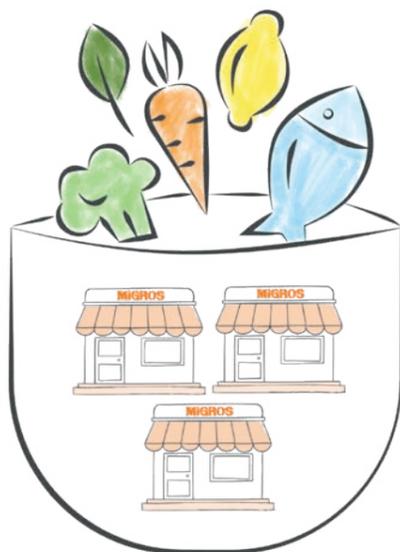
Preventing food loss and waste is one of the most important sustainability issues food retailing can impact. Sustainable Development Goal 12.3 focuses on this issue. Member companies to the Consumer Goods Forum (CGF) have thus committed to reduce food waste. Accordingly, **Migros has committed to reduce the ratio of its food waste disposal tonnage to total food sales tonnage by 2025 by 50% compared to 2016.**

Taking into account the Food Recycling Hierarchy, Migros conducts various projects to mitigate food loss and waste, including monitoring, categorization, and analyses and improvement studies.

To accelerate sales of fresh food products such as meat, poultry, dairy products and some produce that are approaching their expiry date, Migros whose primary goal is to reduce losses at source, sells them at a discount of between 25% - 50%. With this approach, food saved in 2017 corresponded to the revenue of 3 Migros stores.

Thanks to discounts, food equal to the revenue of

3 Migros stores was saved



In 2017, **138,095** meals worth of food were donated to food banks and social markets

Respecting Food Project

In 2017, as a first in Turkey via a digital platform to match supply and demand, Migros started to send produce, which does not satisfy visual sales criteria but is otherwise fine from a nutritional standpoint, to food banks and social markets on a daily basis. Migros has donated 58 tons of food with this project and contributed to sending 138,095 meals worth of food to people in need. Migros aims to expand the project countrywide.

**TAZELERİ
ATMIYORUZ
PAYLAŞIYORUZ!**



Organic Waste Recycling

The organic waste that accumulates in stores is used to generate energy, for composting or is otherwise sent to the local municipality for disposal. During 2017, Migros separated 4,728 tons of organic waste that was generated by 641

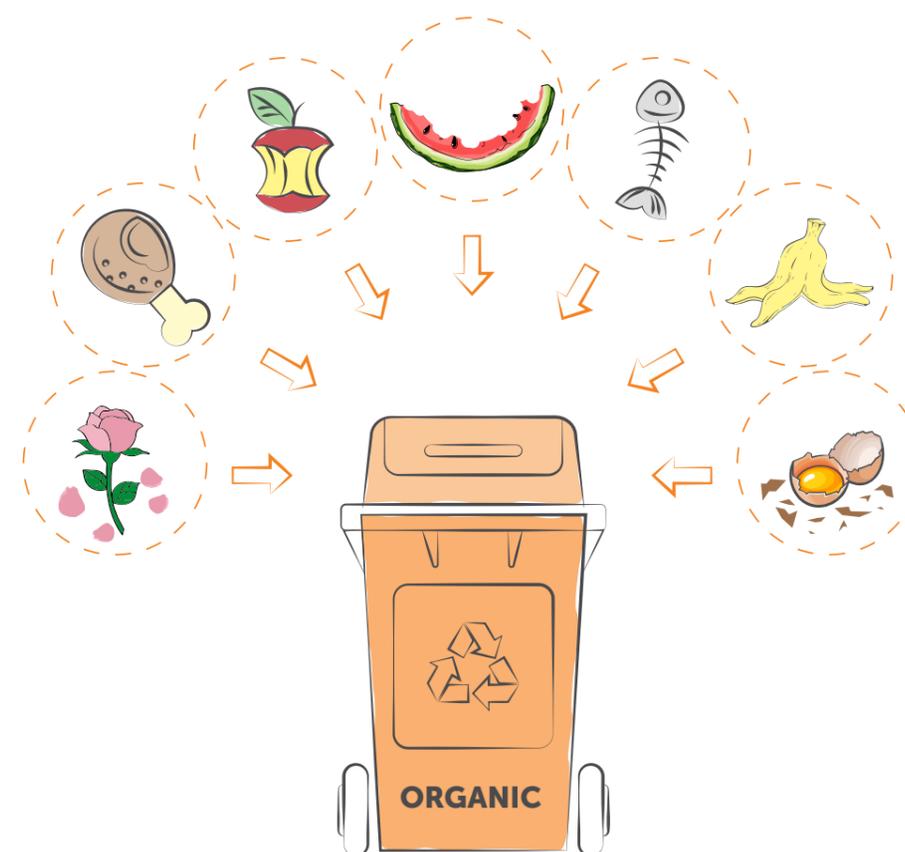
stores, Gebze Distribution Center and its Bursa fresh produce warehouse at source and then sent for conversion into biogas. The resulting energy would be enough power a single 100 watt bulb for 10 million hours.

	2015	2016	2017
Organic Waste Sent to The Biogas Plant (ton)	5,727	4,772	4,728
Biogas Equivalent (m ³)	572,700	477,200	472,800
Compost Equivalent (ton)	3,326	2,776	2,734

4,728 tons of organic waste is recycled



Enough energy was produced to run a 100 watt bulb for **10 million hours**



Fresh Leftovers to Our Four-Legged Friends Project

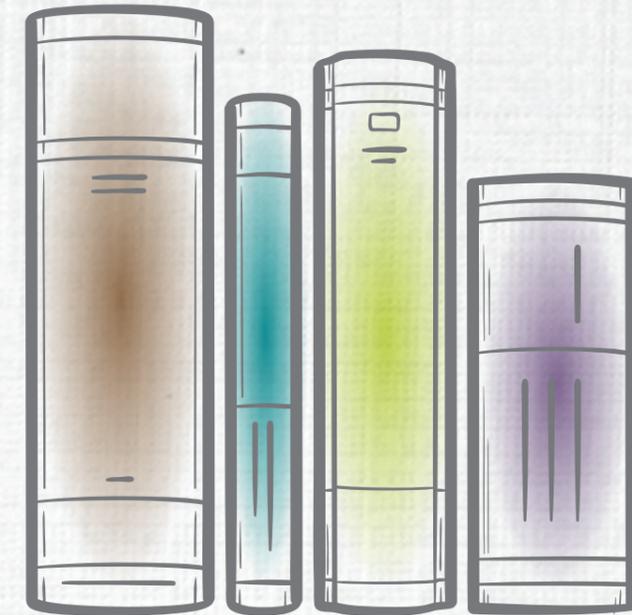
Migros has been carrying out the "Fresh Leftovers to Our Little Friends" project since 2014 to **donate food products** through associations which have approached their sell-by date but are still edible **to feed wildlife, stray animals and animals kept in shelters.**

Through this project, 281 tons of food were donated in 2017. In addition, 193 tons of food from Mersin and Antalya fresh produce warehouses were given for the feeding of farm animals.

281 tons of food used to feed stray animals and animals kept in shelters



Appendix



I. Sustainable Development Goals (SDGs) Map

SUSTAINABLE DEVELOPMENT GOALS	MIGROS SUSTAINABILITY PRIORITY TOPICS	PAGE
	Our Economic Performance	28
	Our Human Resource	33
	Health and Safety	39
	Product Management	42
	Corporate Social Responsibility	50
	Our Supply Chain	46
	Environmental Performance	54

II. GRI Content Index



GRI Standard	GRI Content	Notifications	External Audit
GRI 101: Foundation 2016			
GRI 102: General Disclosures			
Organizational Profile			
	102-1 Name of the organization	About the Report p. 7	
	102-2 Activities, brands, products and services	About the Report p. 7, Corporate Governance p. 14	
	102-3 Location of headquarters	Migros Headquarter 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. 29	
	102-6 Markets served	Our Economic Performance p. 28	
	102-7 Scale of the organization	Our Economic Performance p. 28	
	102-8 Information on employees and other works	Employee Profile p. 34	
	102-9 Supply Chain	Product management p. 42, Our Supply Chain p. 46	
	102-10 Significant changes to the organization and its supply chain	Up-to-date Acquisitions and Changes to Shareholder Structure p. 31	
	102-11 Precautionary Principle or approach	Vision, Mission and Values p. 10, Risk management and internal control p. 15	
	102-12 External initiatives	Memberships & initiatives p. 18	
	102-13 Membership of associations	Memberships & initiatives p. 18	
Strategy			
	102-14 Statement from senior decision-maker	Message from CEO p. 4	
Ethics and Integrity			
	102-16 Values, principles, standards and norms of behavior	Vision, Mission and Values p. 10	
Governance			
	102-18 Governance structure	Corporate Governance p. 14	
Stakeholder Engagement			
	102-40 List of stakeholder groups	Migros Stakeholders p. 20	
	102-41 Collective bargaining agreements	Freedom of Association p. 37, Human Rights and Equal Opportunity Policy	
	102-42 Identifying and selecting stakeholders	Migros Stakeholders p. 20	
	102-43 Approach to stakeholder engagement	Migros Stakeholders p. 20	

GRI Standard	GRI Content	Notifications	External Audit
	102-44 Key topics and concerns raised	Migros Stakeholders p. 20	
Reporting Practice			
	102-45 Entities included in the consolidated financial statements	Migros Stakeholders p. 20 Migros Ticaret Annual Report p. 112-113	
	102-46 Defining report content and topic Boundaries	Materiality Approach p. 22	
	102-47 List of material topics	Materiality Approach p. 22	
	102-48 Restatement of information	Materiality Approach p. 22	
	102-49 Changes in reporting	There has been no significant change in reporting scope and boundaries.	
	102-50 Reporting period	About the Report p. 7	
	102-51 Date of most recent report	About the Report p. 7	
	102-52 Reporting cycle	About the Report p. 7	
	102-53 Contact point for questions regarding the report	About the Report p. 7	
	102-54 Claims of reporting in accordance with the GRI Standards	About the Report p. 7	
	102-55 GRI content index	GRI Content Index p. 81	
	102-56 External assurance	About the Report p. 7	
Material Topics			
GRI 200 Economic Standards Series			
GRI 201: Economic Performance 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Economic Performance p. 28	
	103-2 The management approach and its components	Our Economic Performance p. 28	
	103-3 Evaluation of the management approach	Our Economic Performance p. 28	
	201-1 Direct economic value generated and distributed	Our Economic Performance p. 28	
GRI 202: Market Presence 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Economic Performance p. 28	
	103-2 The management approach and its components	Our Economic Performance p. 28	
	103-3 Evaluation of the management approach	Our Economic Performance p. 28	
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Human Rights and Equal Opportunity Policy	
GRI 203: Indirect Economic Impacts 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Economic Performance p. 28	
	103-2 The management approach and its components	Our Economic Performance p. 28	
	103-3 Evaluation of the management approach	Our Economic Performance p. 28	
	203-2 Significant indirect economic impacts	Our Economic Performance p. 28	
GRI 205: Anti-Corruption 2016			

GRI Standard	GRI Content	Notifications	External Audit
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Governance p. 14, Anti-Bribery and Anti-Corruption Policy	
	103-2 The management approach and its components	Corporate Governance p. 14, Anti-Bribery and Anti-Corruption Policy	
	103-3 Evaluation of the management approach	Corporate Governance p. 14, Anti-Bribery and Anti-Corruption Policy	
	205-1 Operations assessed for risks related to corruption	Corporate Governance p. 14, Anti-Bribery and Anti-Corruption Policy	
GRI 206: Anti-Competitive Behavior 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Up-to-date Acquisitions and Changes to Shareholder Structure p. 31	
	103-2 The management approach and its components	Up-to-date Acquisitions and Changes to Shareholder Structure p. 31	
	103-3 Evaluation of the management approach	Up-to-date Acquisitions and Changes to Shareholder Structure p. 31	
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Up-to-date Acquisitions and Changes to Shareholder Structure p. 31	
GRI 300 Environmental Standards Series			
GRI 302: Energy 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Energy Saving Practices p. 60	
	103-2 The management approach and its components	Energy Saving Practices p. 60	
	103-3 Evaluation of the management approach	Energy Saving Practices p. 60	
	302-1 Energy consumption within the organization	Energy Management p. 58	
	302-3 Energy intensity	Energy Management p. 58	
	302-4 Reduction of energy consumption	Energy Management p. 58	
GRI 303: Water 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Water Management p. 68	
	103-2 The management approach and its components	Water Management p. 68	
	103-3 Evaluation of the management approach	Water Management p. 68	
	303-1 Water withdrawal by source	Water Management p. 68	
GRI 304: Biodiversity 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Contribution to Biodiversity p. 57	
	103-2 The management approach and its components	Contribution to Biodiversity p. 57	
	103-3 Evaluation of the management approach	Contribution to Biodiversity p. 57	

GRI Standard	GRI Content	Notifications	External Audit
	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. 57	
	304-2 Significant impacts of activities, products, and services on biodiversity	Contribution to Biodiversity p. 57	
GRI 305: Emissions 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Carbon Footprint p. 62	
	103-2 The management approach and its components	Carbon Footprint p. 62	
	103-3 Evaluation of the management approach	Carbon Footprint p. 62	
	305-1 Direct (Scope 1) GHG emissions	Carbon Footprint p. 62	Assurance Statement p. 91
	305-2 Energy indirect (Scope 2) GHG emissions	Carbon Footprint p. 62	Assurance Statement p. 91
	305-3 Other indirect (Scope 3) GHG emissions	Carbon Footprint p. 62	
	305-4 GHG emissions intensity	Carbon Footprint p. 62	
	305-5 Reduction of GHG emissions	Carbon Footprint p. 62, Energy Management p. 58	
GRI 306: Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Water Management p. 68	
	103-2 The management approach and its components	Water Management p. 68	
	103-3 Evaluation of the management approach	Water Management p. 68	
	306-1 Water discharge by quality and destination	Water Management p. 68	
	306-2 Waste by type and disposal method	Waste Management p. 70	
GRI 307: Environmental Compliance 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Environmental Performance p. 54	
	103-2 The management approach and its components	Environmental Performance p. 54	
	103-3 Evaluation of the management approach	Environmental Performance p. 54	
	307-1 Non-compliance with environmental laws and regulations	Environmental Performance p. 54	
GRI 400 Social Standards Series			
GRI 401: Employment 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility p. 50	
	103-2 The management approach and its components	Corporate Social Responsibility p. 50	
	103-3 Evaluation of the management approach	Corporate Social Responsibility p. 50	
	401-1 New employee hires and employee turnover	Our Economic Performance p. 28	

GRI Standard	GRI Content	Notifications	External Audit
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Corporate Social Responsibility p. 50, Quality Inspections for Suppliers p. 48	
GRI 402: Labor/Management Relations 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Hiring Performance p. 34	
	103-2 The management approach and its components	Hiring Performance p. 34	
	103-2 Evaluation of the management approach	Hiring Performance p. 34	
	402-1 Minimum notice periods regarding operational changes	Hiring Performance p. 34	
GRI 403: Occupational Health and Safety 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Health and Safety p. 39	
	103-2 The management approach and its components	Health and Safety p. 39	
	103-3 Evaluation of the management approach	Health and Safety p. 39	
	403-1 Workers representation in formal joint management-worker health and safety committees	Health and Safety p. 39, Occupational Health and Safety Policy	
	403-2 Types of injury and rates of injury, occupational disease, lost days, and absenteeism, and number of worker-related fatalities	Health and Safety p. 39	
	403-3 Workers with high incidence or high risk of diseases related to their occupation	Health and Safety p. 39	
	403-4 Health and safety topics covered in formal agreements with trade unions	Freedom of Association p. 37, Human Rights and Equal Opportunity Policy	
GRI 404: Training and Education 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Contributing to Employee Development p. 36	
	103-2 The management approach and its components	Contributing to Employee Development p. 36	
	103-3 Evaluation of the management approach	Contributing to Employee Development p. 36	
	404-1 Average hours of training per year per employee	Contributing to Employee Development p. 36	
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Management p. 35	
	404-3 Percentage of employees receiving regular performance and career development reviews	Talent Management p. 35	
GRI 405: Diversity and Equal Opportunity 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Human Resources Approach p. 33	
	103-2 The management approach and its components	Human Resources Approach p. 33	
	103-3 Evaluation of the management approach	Human Resources Approach p. 33	

GRI Standard	GRI Content	Notifications	External Audit
	405-1 Diversity of governance bodies and employees	Employee Profile p. 34	
GRI 406: Non-Discrimination 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Human Resources Approach p. 33	
	103-2 The management approach and its components	Human Resources Approach p. 33	
	103-3 Evaluation of the management approach	Human Resources Approach p. 33	
	406-1 Incidents of discrimination and corrective actions taken	Human Resources Approach p. 33	Assurance Statement p. 90
GRI 407: Freedom of Association and Collective Bargaining 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Freedom of Association p. 37, Human Rights and Equal Opportunity Policy	
	103-2 The management approach and its components	Freedom of Association p. 37, Human Rights and Equal Opportunity Policy	
	103-3 Evaluation of the management approach	Freedom of Association p. 37, Human Rights and Equal Opportunity Policy	
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Freedom of Association p. 37, Human Rights and Equal Opportunity Policy	Assurance Statement p. 90
GRI 408: Child Labor 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Supply Chain p. 46	
	103-2 The management approach and its components	Our Supply Chain p. 46	
	103-3 Evaluation of the management approach	Our Supply Chain p. 46	
	408-1 Operations and suppliers at significant risk for incidents of child labor	Human Resources Approach p. 33, Our Supply Chain p. 46 Human Rights and Equal Opportunity Policy	Assurance Statement p. 90
GRI 409: Forced or Compulsory Labor 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Human Rights and Equal Opportunity Policy	
	103-2 The management approach and its components	Human Rights and Equal Opportunity Policy	
	103-3 Evaluation of the management approach	Human Rights and Equal Opportunity Policy	
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights and Equal Opportunity Policy	Assurance Statement p. 90
GRI 412: Human Rights Assessment 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Human Resources Approach p. 33	
	103-2 The management approach and its components	Human Resources Approach p. 33	
	103-3 Evaluation of the management approach	Human Resources Approach p. 33	

GRI Standard	GRI Content	Notifications	External Audit
	412-1 Operations that have been subject to human rights reviews or impact assessments	Human Resources Approach p. 33	
GRI 414: Supplier Social Assessment 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Supply Chain p. 46	
	103-2 The management approach and its components	Our Supply Chain p. 46	
	103-3 Evaluation of the management approach	Our Supply Chain p. 46	
	414-1 New suppliers that were screened using social criteria	Our Supply Chain p. 46	Assurance Statement p. 90
	414-2 Negative social impacts in the supply chain and actions taken	Our Supply Chain p. 46	Assurance Statement p. 90
GRI 416: Customer Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Product Management p. 42	
	103-2 The management approach and its components	Product Management p. 42	
	103-3 Evaluation of the management approach	Product Management p. 42	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Product Management p. 42	
GRI 417: Marketing and Labeling			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Responsible Advertisement and Marketing p. 45	
	103-2 The management approach and its components	Responsible Advertisement and Marketing p. 45	
	103-3 Evaluation of the management approach	Responsible Advertisement and Marketing p. 45	
	417-2 Incidents of non-compliance concerning product and service information and labeling	Responsible Advertisement and Marketing p. 45, Product Management p. 42	
GRI 418: Customer Privacy 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Migros Stakeholders p. 20	
	103-2 The management approach and its components	Migros Stakeholders p. 20	
	103-3 Evaluation of the management approach	Migros Stakeholders p. 20	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Relations and Communications p. 21	
GRI 419: Socioeconomic Compliance 2016			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Economic Performance p. 28	
	103-2 The management approach and its components	Our Economic Performance p. 28	
	103-3 Evaluation of the management approach	Our Economic Performance p. 28	
	419-1 Non-compliance with laws and regulations in the social and economic area	Our Economic Performance p. 28	

III. Selected Information for the Social Indicators Verification

EY Turkey's Sustainability Audit scope and content indicators are in the following table.

Topic	Indicator	Content of the Indicator
Human Rights	Discrimination	<p>The context of this indicator includes the number of discrimination incidents identified during the reporting period based on the following factors.</p> <p>Discrimination elements:</p> <ul style="list-style-type: none"> a. Race b. Religion c. Language d. Sex e. Political Opinion f. National Extraction g. Social Origin h. Disability i. Age <p>In accordance with GRI 406-1 definition</p>
	Freedom of Association and Collective Bargaining	<p>This indicator represents the percentage of employees covered by Migros' Collective Labor Agreement (CLA) signed with the Tez-Koop during the reporting period. It also includes the measures taken by Migros to promote trade union membership for the employees covered by the CLA.</p> <p>In accordance with GRI 407-1 definition</p>
	Child Labour	<p>This indicator covers the number of child labor incidents identified within the operations and supply chain of Migros during the reporting period. These incidents are identified by the implementation of ILO (International Labor Organization) Standards in Migros' operations and through GC SEDEX audits in the supply chain. Additionally, the indicator covers the measures taken by Migros for identified child labour incidents during the reporting period.</p> <p>In accordance with GRI 408-1 definition</p>
	Forced or Compulsory Labour	<p>Number of identified forced or compulsory labor cases within the reporting period. Within this context, Migros' approach for evaluating its operations and its suppliers for forced or compulsory labor is included. In line with this approach, Migros identifies the non-compliance incidents by subjecting its operations to ILO (International Labor Organization) standards and by auditing its suppliers in accordance with GC SEDEX.</p> <p>In accordance with GRI 409-1 definition</p>

Topic	Indicator	Content of the Indicator
Supply Chain Assessment	Social Audits for Suppliers	<p>Within this indicator, the percentage of new suppliers that were screened using social criteria are reported. Within the scope of Migros' supply chain audits, candidate suppliers are subjected to product safety (BRC) audits as the initial requirement. The successful suppliers from BRC audit are classified as "new supplier" and subjected to GC SEDEX audits.</p> <p>In accordance with GRI 414-1 definition</p> <hr/> <p>Migros' suppliers are subjected to GC SEDEX social performance audits on an annual basis and includes the following social criteria:</p> <ul style="list-style-type: none"> a. Discrimination b. Freedom of Association and Collective Bargaining c. Child Labour d. Forced or Compulsory Labour <p>The external audits carried out regarding the indicator includes the following criteria:</p> <ol style="list-style-type: none"> 1. Total number of supplier social audits conducted 2. Number of significant actual and potential negative social impacts identified in the supply chain 3. Improvement rate of incidents where negative social impact is identified during the reporting period 4. Actions taken towards incidents where negative social impact is identified during the reporting period 5. Number of suppliers with whom Migros has terminated its commercial relationship as a result of identified significant actual and potential negative social impact during the reporting period <p>In accordance with GRI 414-2 definition</p>



Independent Assurance Statement

To the Board of Directors and Management of Migros Ticaret A.Ş., Istanbul, Turkey

This Opinion Statement (hereinafter 'Statement') is intended solely for the management of Migros Ticaret A.Ş. (hereinafter 'Migros' or 'the Company') for the purpose of reporting on the 'Selected Information' in its 2017 Sustainability Report (hereinafter 'the Report') that has been prepared by the Company for the year ended 31 December 2017.

Subject Matter Information and Applicable Criteria

We were engaged by the Company to provide limited assurance on the items listed below, together the 'Selected Information' as defined in Annex III of Migros 2017 Sustainability Report.

The scope of our assurance

The scope of our assurance is limited to the indicators listed as 'Selected Information' defined by the Company that consists of its operations in Turkey, which has been prepared based on the Sustainability Reporting Standards published by Global Reporting Initiative (GRI). Our assurance report should be read in conjunction with the Company's internally developed criteria and the GRI Standards.

Selected Information

- Number of discrimination incidents - In accordance with the definition of GRI 406-1,
- Percentage of employees covered by collective bargaining and measures taken to promote this right - In accordance with the definition of GRI 407-1,
- Number of child labour incidents and measures taken - In accordance with the definition of GRI 408-1,
- Operations evaluated at significant risk for forced or compulsory labour and number of incidents identified - In accordance with the definition of GRI 409-1,
- Percentage of new suppliers that were screened through social audits - In accordance with the definition of GRI 414-1,
- Number of social audits conducted on suppliers, number of identified incidents that have significant negative social impact and actions taken, rate of improvement upon measures taken on incidents and number of suppliers the relationship is terminated due to negative social impact - In accordance with the definition of GRI 414-2.

The Company's Responsibilities

The Company's management is responsible for the collection and presentation of the Selected Information in accordance with the GRI Sustainability Reporting Standards and the Company's internally defined criteria. In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

Our Responsibilities

We planned and conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation. The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with what is necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower. The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

1. Interviewed key personnel of the Company to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
2. Reviewed Selected Information on site covering the Company's Headquarters in Turkey as well as off-site review of the Selected Information pertaining to the Company's other locations in Turkey, against evidence, on a sample basis;
3. Undertook substantive testing, on a sample basis, of the Selected Information;
4. Used the Company's internal documentation to evaluate and measure the Selected Information;
5. Evaluated the design and implementation of key processes and controls over the Selected Information;
6. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.
7. Evaluated the disclosure and presentation of Selected Information in the Report.

The limitations of our review

Our assurance scope does not include the following information:

- Data and information other than those mentioned above;
- Data and information outside the defined reporting period i.e. 1st January 2017 to 31st December 2017.
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;

Our conclusion

As a result of our procedures, nothing has come to our attention that indicates the Selected Information reviewed for the year ended 31 December 2017 is not prepared in all material respects in accordance with the criteria defined in the GRI Sustainability Reporting Standards and Migros' 2017 Sustainability Report.

We permit this report to be disclosed in Migros Ticaret A.Ş.'s Sustainability Report for the year ended 31 December 2017, to enable the Directors of Migros Ticaret A.Ş. to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Migros Ticaret A.Ş. for our work or this report except where terms are expressly agreed between us in writing.

for Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of Ernst & Young Global Limited


Zeynep Okuyan, SMMM
Partner
İstanbul, 26.06.2018



CERTIFICATE

ISO 14064-3 – Specification with guidance for the validation and verification of greenhouse gas assertions

With application of the above mentioned standard the carbon footprint was examined by TÜV NORD CERT GmbH regarding its correctness and completeness for

Migros Ticaret A.Ş.
Atatürk Mah. Turgut Özal Bulvarı No: 7
34758 İstanbul
Turkey

MIGROS

Acting as an independent Certification Body and considering all relevant GHG sources, TÜV NORD CERT GmbH has verified the carbon footprint of the abovementioned company

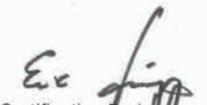
to be **409.300 t CO₂eq** in 2017.

The emission sources considered within the calculation of the Corporate Carbon Footprint comprise process emissions, consumptions of natural gas, emergency power diesel, cooling gas, diesel and petrol for company owned cars (Scope 1) as well as electricity consumption (Scope 2). According to ISO 14064, a limited level of assurance has been applied for the verification.

The calculation of the carbon footprint allows the identification of reduction potentials within the operational activities.

Certificate Registration No. 44 776 160590
Audit Report No. 3522 1298

Valid for the year: 2017
Initial certification 2016


Certification Body
at TÜV NORD CERT GmbH

Essen, 2018-05-29

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The publication of this report, recycled paper and environmentally friendly technologies are used.