

3. Our Responsible Sourcing Approach

Retail companies have indirect impacts on sustainability, apart from their own operations. These are: impacts on community health in line with product safety, impacts on climate change from production and distribution, impacts on biodiversity from agricultural production, impacts on social and ethical issues.

As a responsible retailer, our company monitors supply chain-driven impacts and seeks to mitigate these impacts by adopting globally recognized principles and measures.

Our company’s quality certificates:

 <p>TS EN ISO 9001 Quality Management System</p>	 <p>TS EN ISO 9001 Quality Management System - Internal Audit Directorate</p>	 <p>TS EN ISO 14001 Environmental Management System</p>	 <p>OHSAS 18001 Occupational Health and Safety Management System</p>
 <p>TS EN ISO 22000 Food Safety Management System</p>	 <p>TS ISO 10002 Customer Satisfaction System</p>	 <p>FSSC 22000 Food Safety Management System</p>	 <p>TS OIC SMIIC 1 Halal Certificate</p>
 <p>14064-3 Specification with guidance for the verification and validation of greenhouse gas statements</p>		 <p>Human Rights and Independent Assurance Statement in Supply Chain (Selected Criteria)</p>	

Supplier Selection Processes

We believe that our suppliers directly contribute to the quality of our products and services. Therefore, we aim to build our partnerships with suppliers in accordance with the way we do business.

Before deciding to work with supplier companies, business partners and agencies, we conduct a thorough review and investigation of financial, legal and ethical risks and opportunities associated with companies. We investigate the commercial history of related companies through official registrations and bribery, corruption and ethics through digital platforms. In addition to these studies, supplier candidates are pre-audited through quality control criteria and question lists

used in the existing supplier audits and the work decision is taken by taking into consideration the results of these audits. Candidate suppliers undergo product safety audits primarily. Companies that become suppliers are subject to SEDEX-based ethical/social audits in accordance with audit periods. In this context, accountability, ethical behavior, respect for the rules of law, respect for international norms and respect for human rights are evaluated. In 2018, we audited 103 candidate suppliers and decided to work with 63 suppliers. 54 percent of selected suppliers were subjected to SEDEX-based ethical and social audits. For the remaining candidate suppliers, we conducted SEDEX-based audit planning in 2019 according to the audit periods.

Expected Responsibilities from our Suppliers

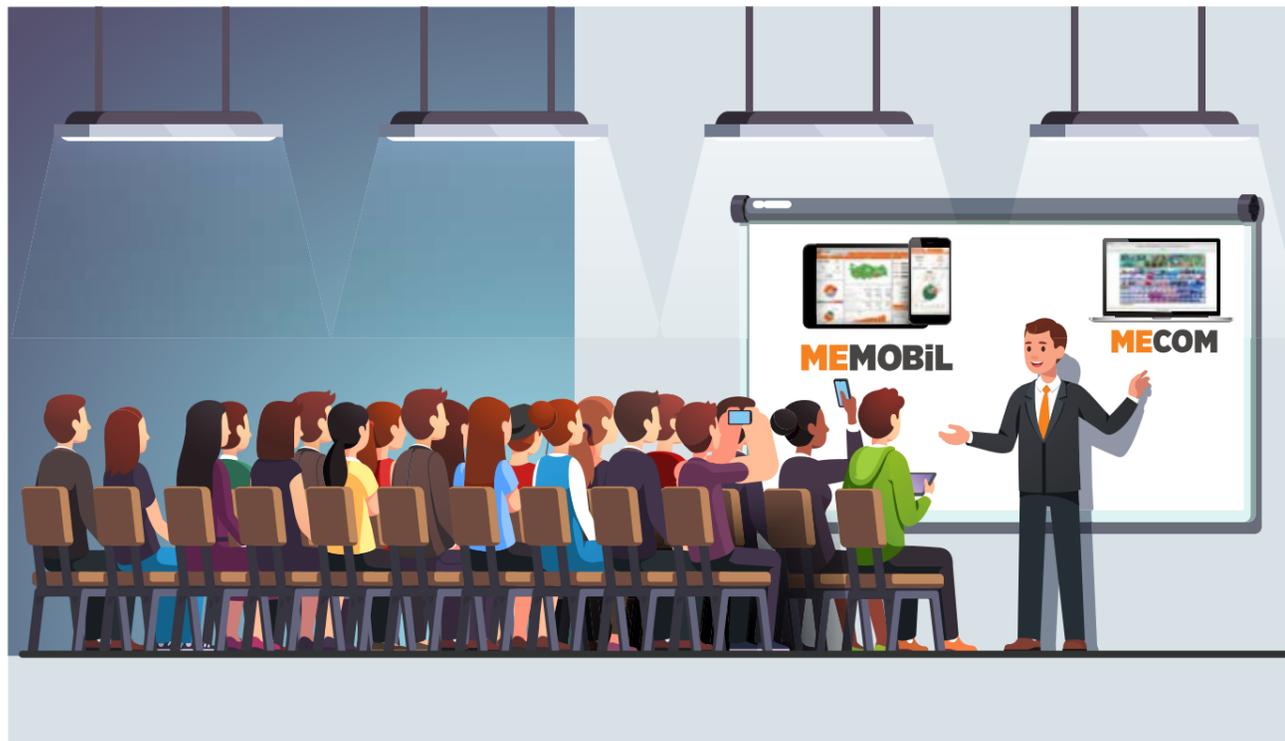
The working standards we expect from our supply chain and human rights, environmental practices, occupational health and safety and quality standards are detailed in the **Responsible Sourcing Policy**. In our Anti-Bribery and Anti-Corruption Policy and Human Rights and Equal Opportunities Policy, the compliance, approach and stance we expect from our suppliers are also clearly demonstrated.

Our suppliers can monitor information such as store-based product stock, availability and sales through our **B2B applications MeCom and MeMobil**. Our corporate policies are also made available to our suppliers through these practices. In addition, we turn our relevant policies into e-training and offer them to our new employees and suppliers every year. By providing the e-training prepared on this platform, which is used actively by 1,400 suppliers, we ensure that all our suppliers receive training.

Our Responsible Sourcing, Anti-Bribery and Anti-Corruption policies and Human Rights and Equal Opportunities policies are translated into Russian, Kazakh and Macedonian and published on the websites of Ramstores in Kazakhstan and Macedonia, and the policies are communicated to both employees and suppliers.

We converted our Responsible Sourcing Policy into an e-training module and offer it to our suppliers through our **B2B applications, MeCom and MeMobile**

In all the agreements we made with suppliers in our activities in Turkey, Anti Bribery and Corruption, Human Rights Standards, Labor Standards, Occupational Health and Safety and Environmental Protection surrounded by Code of Ethics are taking place and all our suppliers are required to make commitments to comply with these rules. In this context, we state religion, language, race, and gender discrimination; verbal, physical and sexual violence against supplier employees and forced labor or child labor is strictly unacceptable. In addition, we expect suppliers to ensure that they will not interfere with corruption and bribery. During the time we worked together; we monitor whether it provides a safe and fair working environment in terms of working conditions, health and safety measures, paid wages, etc. through regular evaluation surveys and field visits. We monitor and report our annual targets through supply chain risk assessment.



Audits for Our Suppliers

We attach great importance to supplier selection and monitor our suppliers' practices within the framework of our responsible sourcing approach and offer them assistance and guidance to improve their performance. We conduct quality audits regularly to our suppliers and monitor their compliance with the Responsible Sourcing Policy.

In 2018, through an accredited independent external audit agency, 85 percent of our main suppliers from whom we procure products constituting 80 percent of our total turnover were audited. Including audits with other suppliers outside this scope and supplier candidates, we conducted a total of 952 audits in 2018. Before we put the products of the remaining suppliers, into our stores, we check them within the framework of legal regulations.

We conduct our supplier audits taking into account the standards recognized by the **'Global Food Safety Initiative' (GFSI)**, which sets food safety criteria in the world. We apply an intensive audit program to our suppliers, which lasts for 2 days and questions 278 criteria. **On the first day we carry out 'BRC-International Product Safety Standard' and on the second day, we conduct 'GC-Sedex- Ethical and Social' audits.** After giving limited of time to our current suppliers and candidate suppliers, we reaudit them which is called as follow-up audits. We give maximum of 3 follow-up audits to each failed supplier.

On the first day audits we have conducted according to the 'BRC Global Market' audit checklist, our suppliers who have been successful take part in the **BRC (British Retail Consortium)** portal and their success levels are announced globally. In 2018, 81 percent of our suppliers succeeded in 492 **'BRC Global Market' audits**. In the same year, BRC conducted follow-up audits for 64 companies and noted improvements in 88 percent of these suppliers.

During the second day audit, the suppliers' operational activities, their impact on people and the environment, and their sensitivity to ethical and social issues were audited. In line with this, suppliers' environmental management, occupational health and safety, ethical and social compliance requirements and SA 8000 standards are covered under the scope of the SEDEX criteria. The suppliers who were successful in these audits, which have an important role in sustainability studies, were awarded the GC-SEDEX certificate. **During the 460 GC-SEDEX audits** we conducted in 2018, 82 percent of our suppliers were awarded GC-SEDEX certification. In 2018, under the scope of SEDEX, 48 companies were monitored, and 88 percent of these companies were improved. Third and last follow-up audit will be organized for the remaining 6 companies. If the success is not achieved, an evaluation can be made to terminate the commercial relationship. During the reporting period, our company did not terminate agreements with any suppliers due to social non-compliance. We decided not to proceed with 20 supplier candidates after social audits.



Audit Type	Number of Supplier Audits	Success Rate	Number of Follow-up Audits	Follow-up Audit Success Rate
Product Safety - BRC Global Market Audit	492	81%	64	88%
Environment and Ethics - GC-Sedex	460	82%	48	88%
Toplam	952	81%	112	88%

In these audits, child labor, forced labor, working hours, right to establish trade unions and collective bargaining, salaries and wages, discrimination and disciplinary practices, conditions of employment of pregnant and nursing mothers, physical and psychological pressure on employees, birth, milk permits and compliance with annual leave laws topics are questioned. During the reporting period, 3 young workers were identified in the audits conducted to the supplier companies. Young workers and suppliers who pose a risk in cases of forced labor were warned.

As part of audits conducted within the scope of ethical and social compliance of suppliers, 32 percent of the non-compliances were related to occupational health and safety, 13 percent were related to environmental requirements, 8 percent were related to resource management, 4 percent were related to social responsibility policy, 3 percent were related to working hours and payments and 2 percent were related to disciplinary practices.

Migros Approved suppliers are evaluated in three categories:

“**Gold**”, “**Silver**” and “**Bronze**” and have the opportunity to announce their success from **GC Portal**. In 2018, 57 percent of our suppliers were successful in both audits (corrected for removal of failed suppliers) and were awarded the “GC Migros Approved Supplier” Certificate. In April 2019, we organized an award ceremony within the scope of Migros Better Future Festival and congratulated the success of our suppliers who received the “**Migros Gold Approved Supplier**” certificate.

In the scope of compliance with our responsible sourcing policy, the 2018 notifications of our ethical and social audits regarding the discrimination, freedom of association, right to collective bargaining, child labor, forced and compulsory labor for our suppliers were subject to **independent external auditing**, verified in compliance with the international ISAE 3000 (Revised) standard. **Declaration of Independent Assurance in Human Rights and Supply Chain** (Selected Criteria) can be found in the Appendix. During the reporting year, we did not receive any negative notifications from NGOs or other external organizations regarding our supply chain

