

Sustainable Growth with Our Suppliers

GRI 102-9, 103-1, 103-2, 103-3, 308, 408, 409, 414, 414-2

Our sustainability approach is based on supplying products and services from companies, which respect to people and the environment.

With a leading role in the retail industry, we are determined to use our influencing power to ensure that all processes are carried out in a respectful manner to people and the environment, in cooperation with our stakeholders in the value chain. We have built our business model on empowering our suppliers and growing with them to offer financially accessible, reliable and healthy products to our customers. In the light of our responsible sourcing approach, we monitor our environmental and social impacts arising from the supply chain, and work in cooperation with our suppliers

to reduce such negative impacts in accordance with the globally accepted principles and measures. In this context, we raise the awareness of our suppliers about human rights, code of ethics, occupational health and safety, quality standards and eco-friendly production methods, and develop solutions together.

You can reach our number of suppliers by years in the Annexes.



EXPECTED RESPONSIBILITIES FROM OUR SUPPLIERS

Our working standards including including human rights, environment, occupational health and safety, quality standards and code of ethics, which we expect our suppliers to comply with, are set forth in detail under our [Policies of Responsible Sourcing](#), [Anti-Bribery and Anti-Corruption](#) and [Human Rights and Equal Opportunities](#), as well as [Code of Ethics of Migros](#). We offer our relevant policies to our newly-hired employees every year through online training, and to our suppliers through B2B applications called MeCom and MeMobil.

For our operations in Turkey, Code of Ethics on anti-bribery and anti-corruption, human rights and labor standards, occupational health and safety and protection of environment are set forth in all agreements executed with our suppliers. All our suppliers are

obliged to give a commitment to comply with abovementioned Code of Ethics during the term of the agreement. In this context, we clearly express that religion, language, race and sex discrimination, and verbal, physical and sexual violence of our suppliers against their employees, as well as forced or child labor, are unacceptable, and we request our suppliers to respect and support their employees' right to freedom of association and collective bargaining. In addition, the suppliers, whom we work with, should also make a commitment for not being involved in corruption and bribery as per the agreement. Throughout our cooperation, we monitor whether if our suppliers offer a safe and fair work environment for their employees in terms of working conditions, health and safety measures taken, wages paid, etc. through regular assessment surveys and site visits. We monitor and report our annual targets through supply chain risk assessment.

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

In 2019, we have not concluded contracts with any of our suppliers due to non-compliance with our Anti-Bribery and Corruption Policies and Human Rights and Equal Opportunity Policies. Our contract was terminated with one of our suppliers due to production contrary to legal regulations contrary to our Responsible Sourcing Policy.



OUR SUPPLIER SELECTION PROCESSES AND AUDITS

Selection of New Suppliers

Firstly, we make the efforts to work with suppliers, who share our sensitivity to human rights, code of ethics, occupational health and safety, quality standards and environmental awareness. In this context, we conduct a detailed review that reveals the financial, legal and ethical risks and opportunities related to the companies before deciding to work with all our business partners. We investigate the commercial registries of the relevant companies through official bodies, and their trading history in terms of bribery, corruption and ethics through digital platforms. In addition, candidate suppliers

are subjected to pre-audit through the quality control criteria and question lists applied in current supplier audits, and the decision to work is determined in accordance with the results of such audits. Candidate suppliers are subjected to audits for product safety, and ethical, social and environmental compliance. By successfully completing all these audits, **we start to work with the companies that pass the audit successfully and become a supplier.** We do not work with the candidate suppliers, who fail to pass such audits.

In 2019, 113 product safety audits were conducted for 92 candidate suppliers, and 58 candidate suppliers passed such audits successfully. We conducted 90 ethical, social and environmental compliance audits for 72 candidate suppliers which correspond to 31 percent of 229 of our new suppliers in accordance with the SEDEX criteria, and we decided to work with 49 suppliers that have accomplished the process.

AUDITS FOR OUR SUPPLIERS

Regular audits are conducted for our suppliers, whom we work with, by our Migros Quality Management Systems team and the independent external auditing institution in terms of compliance with both all corporate policies of Migros, especially Responsible Sourcing, and international food safety, ethical, social and environmental working standards. Audit results are reported to the – Executive Board Member, Marketing and International Operations, and Executive Vice President, Distribution Centers and Logistics, the senior management units responsible for supply chain working standards.

Compliance in terms of child labor, forced labor, working hours, right to freedom of association and collective bargaining, wage and salary, discrimination and discipline practices, working conditions of pregnant and lactating mothers, physical and psychological pressure, maternity and breastfeeding leave, and annual leaves is questioned. **We carry out our food-related audits by taking into consideration the international standards recognized by Global Food Safety Initiative (GFSI) which sets the criteria for food safety across the world. We grant**

a certain period of time to our suppliers and candidate suppliers, whom we have been working with, to complete the non-conformities found out in the audits, and then we carry out follow-up audits. We grant the right to maximum 3 follow-up audits to each of our failed suppliers. In the event that the expected success is not achieved, we terminate the commercial relationship upon evaluation.

We implement an intensive audit program in the facilities of our suppliers, where 278 criteria are questioned. **We carry out compliance audits in accordance with two international standards: 'BRC-IFS International Product Safety Standard'** on the first day, and **'GC-SEDEX-Environmental and Ethical'** on the second day.

The ethical and social performance of our suppliers is measured through SEDEX audits.



Product Safety Audits

Our suppliers, who successfully pass our first-day audit that we carry out in accordance with 'BRC Global Market' or 'IFS Global Market' audit checklist, are listed in [BRC \(British Retail Consortium\)](#) or [IFS \(International Featured Standards\)](#) portal depending on the evaluation standard which they were subjected to, and their level of achievement is announced to the world.



Ethical Audit

In the second-day audit, the impact of the suppliers on people and environment, and their sensitivity to ethical and social issues throughout their operations are audited. Accordingly, the practices of the suppliers are checked in accordance with SEDEX criteria, which include the requirements for occupational health and safety, ethical and social compliance, and the full scope of SA 8000 standard.



Environmental Audit

We also evaluate all of our suppliers in terms of environmental issues such as water consumption and waste management as part of SEDEX audits in order to offer products derived from sustainable sources. Our suppliers, who successfully pass such audits that play an important role in sustainability activities, are entitled to get a GC-SEDEX certificate.

GRI 308-2, 408-1, 409-1, 414-2

In 2019, 82 percent of our key suppliers, from whom we supplied the products that consisted 80 percent of our total turnover, were audited through an accredited independent external audit firm. We carried out a total of 1,075 audits in 2019, including the audits that we carried out with other suppliers excluded out of this scope. We also checked the products of the rest of the suppliers, which are mostly importer companies, before offering them for sales in our stores, as per the statutory regulations. The results of the audits for 2019 are available in the table of Supplier Audit Results for 2019. Accordingly, our suppliers passed number of 558 "BRC-IFS Product Safety" audit, which we carried out for 448 suppliers, with an average success score of 80.5. In the same year, there was an improvement in 81 percent of 89 companies, which were subjected to follow-up audits. In addition, 87,9 percent of our suppliers successfully passed 537 audits that we carried out for 449 suppliers and were qualified for certification. An improvement of 83 percent was observed following the GC-SEDEX follow-up audits that we carried out for 80 companies. During the audits of 83 new and old suppliers, which constitute 18 percent of our 449 suppliers, non-compliance cases were detected. In the audits carried out for

the suppliers within the scope of ethical and social compliance, it was found out that 51 percent of non-compliance cases were related to occupational health and safety, 20 percent were related to working conditions, 12 percent were related legal requirements, 11 percent were related to environmental requirements, and 6 percent were related to the other issues. In the audits carried out for the supplier companies during the reporting period of 2019, no supplier, who violated the right to freedom of association or collective bargaining or were under significant risk, was found out. In addition, no cases of child and youth labor and/or forced and compulsory labor were found out. We did not receive any negative feedbacks from non-governmental organizations or other external organizations for our supply chain during the reporting year.

Depending on their success in audits, **Migros approved suppliers** were evaluated in three categories: **Gold**, **Silver** and **Bronze**; they also had the opportunity to announce their success through [GC Portal](#). 63 percent of our suppliers, who were subjected to audit in 2019, passed both audits successfully, and were entitled to get the certificate of "GC Migros Approved Supplier". In Migros Better Future Festival we organized, we

congratulated the success of our supplier companies, which were entitled to get the certificate of **"Gold Migros Approved Supplier"** and delivered them the certificates.

The reports of our ethical and social audits for **2019**, which we carried out for our suppliers with respect to the criteria of discrimination, freedom of association, right to collective bargaining, child labor, and forced and compulsory labor **within the context of compliance with Responsible Sourcing Policy**, were **subjected to independent external audit**, and it was verified independently in accordance with the international ISAE 3000 (Revised) standard.



[Independent Assurance Statement for Human Rights and Supply Chain \(Selected Criteria\)](#) is available in the Annexes.

Supplier Audit Results for 2019

Type of Audit	Number of suppliers audited	Number of audits	Success rate	Number of suppliers subjected to follow-up audit	Number of follow-up audits	Success rate of follow-up audit
Product Safety-BRC/IFS Global Market	448	538	80.5%	89	113	81%
Environmental and Ethical-GC-SEDEX	449	537	87.9%	80	102	83%