

Sustainable Growth with Our Suppliers

GRI 204-1, GRI 2-5, GRI 308-1, GRI 308-2, GRI 408-1, GRI 409-1, GRI 414-1



WE MANAGE AND AUDIT OUR SUPPLY PROCESS NOT ONLY ON THE BORDER OF QUALITY AND HYGIENE, BUT ALSO IN TERMS OF **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**, AND TAKE THE NECESSARY ACTIONS

As a pioneering company in the retail industry, where a significant part of the value chain consists of supply, we manage and audit our supply process not only on the border of quality and hygiene, but also in terms of environmental, social and governance, and take the necessary actions with our understanding of ensuring quality and sustainability throughout our value chain.

Responsibilities We Expect from Our Suppliers

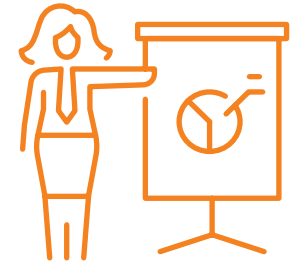
Our Responsible Sourcing, **Anti-Bribery & Anti-Corruption**, and **Human Rights & Equal Opportunity Policies** set clear expectations for our suppliers with regard to compliance with our environmental health, occupational health and safety, quality, and business ethics criteria. Existing and potential suppliers can easily access our **MeCom and MeMobil B2B** business practices on our corporate website. We regularly audit suppliers' business conduct to ensure compliance with our policies. If an audit reveals any areas in need of improvement, we will first notify the supplier so that they can take corrective action. Also, we organize awareness trainings for our suppliers in areas of development.

In this context, the main principles expected from our suppliers are:

- UN Guiding Principles on Business and Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- Freedom of Association & Right to Collective Bargaining
- Prevention & Elimination of Forced Labor
- Prevention & Elimination of Child Labor
- Anti-Discrimination
- Working Hours & Wages Liability
- Anti-bribery & Anti-corruption
- Occupational Health & Safety
- Protection of Environment & Natural Resources
- Continuous Improvement
- Migros Code of Ethics

All suppliers must agree to abide by the rules and principles set out above in order to do business with us. These rules and principles are included in all of contracts with our suppliers. They make it explicitly clear that we will not tolerate any supplier behavior that discriminates among their employees on the basis of religion, language, race, or gender; that constitutes physical, sexual, or verbal abuse; that results in involuntary or forced labor or the employment of children.

AWARENESS TRAININGS FOR SUPPLIERS



WE ORGANIZE AWARENESS TRAININGS FOR OUR SUPPLIERS IN **AREAS OF DEVELOPMENT.**

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Our Supplier Selection and Auditing Processes

We are a company that wants to make a positive impact on the world. For this reason we enter into and maintain productive business partnerships with others who share our values and goals. We track our suppliers' practices and performance, and we provide feedback to help them improve. Before selecting a new supplier, we first thoroughly assess all the financial, legal, ethical, and reputational risks and opportunities that doing business with them entails. We then conduct a comprehensive online and government agency investigation to identify any previous or ongoing instances or accusations of illegal, corrupt, or unethical behavior on their part. Once a potential supplier has passed this initial screening, we perform a preliminary checklist audit to assess their compatibility with our quality control, ethical behavior, governance, and social & environmental sustainability criteria and make our decision accordingly. Thus, we begin to work with companies that have successfully passed both product safety and ethical, social and environmental compliance audits and attained supplier status. Our audits have a 30% weight in our overall business evaluation of our suppliers.

Each year, our critical supplier companies, which account for 80% of the previous year's turnover, are determined and the next year's audit planning is made on this list. Suppliers' compliance with our company's policies and with international food-safety, ethical, social and environmental issues is audited annually. These two-day audits are conducted in the presence of the representatives of independent, external auditing firms using a checklist of 468 criteria. On the first day, suppliers are checked for compliance with Global Food Safety Initiative (GFSI) benchmarking requirements and with "IFS Food Global Market" and "IFS HPC Global Market" standards. On the second day, the suppliers are audited for a **GC-Ethical Compliance** which includes check list covering environmental, human rights, OHS and social compliance issues.

We conduct product safety audits on goods procured from small-scale local/regional suppliers and cooperative. The audits are based on a checklist of 45 criteria, with particular attention being given to traceability requirements, infrastructure resources, hygiene practices, pest control practices, child labor and employing insured workers.

Within the scope of the audits related to the working standards, we assess the compliance with law of annual leaves, forced labor, child labor, arrangements related to working hours, discrimination and disciplinary practices, salaries and remunerations, overtime processes, psychological and physical pressure on employees, right to establish trade unions and right to collective agreement, working conditions of pregnant or breastfeeding mothers and maternity and breastfeeding leaves.

We conduct audits of our suppliers to ensure that they comply with **GC- Ethical Compliance standards**. These audits focus on the following areas: climate impact (including CO₂ emissions), water consumption & management, soil conservation, biodiversity and other environmental issues; pollution control, waste management, and natural resource use. The audits also cover OHS practices such as employee engagement and training practices.




We have invested in communication infrastructure that allows us to conduct remote audits of our suppliers' compliance with our standards. We also provide our auditors with regular training on auditing processes. In 2022, we conducted a mix of online and on-location audits as circumstances warranted.


The results of supplier audits are reported to the Chief Marketing Officer and Chief Supply Chain & Logistics Officer, who is the most senior executive responsible for supply chain standards compliance. Suppliers who have successfully passed our product safety audits may also qualify for inclusion in the International Featured Standards (IFS) portal, a global network of IFS-certified suppliers. This gives them access to customers all over the world. Our suppliers which successfully pass GC- Ethical Compliance audits, which have an important role in sustainability efforts, are entitled to **GC-Ethical Compliance certificate**.

Suppliers who hold BRC, FSSC, or IFS accreditations are exempt from product safety audits. Suppliers who hold BSCI, Smeta Sedex, or WCA accreditations are exempt from GC- Ethical Compliance standards audits. Suppliers who hold SA8000 accreditations are exempt from GC- Ethical Compliance standards audits only if they employ fewer than 10 people.

When a supplier fails an audit, we provide them with a detailed report of the nonconformities that were found. We also identify areas where the supplier can improve, even if they passed the audit. We give the supplier a deadline by which to correct the nonconformities and then we conduct a follow-up audit. If the supplier fails the first follow-up audit, we give them two more chances to pass. If the supplier fails three follow-up audits, we terminate our business relationship with them.

In addition, Supplier Audit success performance is tracked on the basis of KPI on the scorecards of our Quality and Environmental Management department employees.

In 2022, we did not terminate any supplier agreements due to any violations of our "**Anti-Bribery & Anti-Corruption**" , "**Human Rights & Equal Opportunity**" , or "**Responsible Sourcing**" **Policies** , or due to any breach of laws or regulations.

Detailed information about Migros supplier numbers by year is provided in the "**Annexes**"  section of this report.

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Suppliers Audit Results

Type of Audit	Type of Supplier	Number of Suppliers Audited	Number of Audits	Rate of Successful Suppliers **	Average Pass Score	Number of Suppliers Given Follow-up Audits	Number of Follow-up Audits	Success Rate of Follow-up *
Product safety: IFS Global Market	Total number of suppliers audited*	576	683	89.41%	87.52%	67	73	90,91%
	Candidate suppliers	150	183	80.67% (121 suppliers)	80.96%			
GC Ethical & Social Compliance, Environment, OHS	Total number of suppliers audited*	440	517	84.09%	81.71%	48	54	81,25%
	Candidate suppliers	101	125	77.23% (78 suppliers)	72.71%			
Product safety: Regional & Tazedirekt	Total number of suppliers audited*	58	61	%93.1	81.29%			
	Candidate suppliers	25	26	92% (23 suppliers)	78.76%			

* Indicates the number of existing and candidate suppliers who were audited plus the number of suppliers who were subjected to follow-up audits.

** Minimum successful score for IFS product safety compliance is 75%. Minimum score for GC Ethical Compliance standards compliance is 65%.

Sustainable Growth with Our Suppliers

We regard the group of suppliers who together account for 80% of our total turnover as “critical suppliers”. In our 2022 audits planned on our 250 critical suppliers in 2021, 80% of these suppliers were audited on-site and online by an accredited independent external audit firm.

The number of critical suppliers undergoing environmental, ethical, and social audits during the most recent 3 years is 683.

89.41% of our supplier companies scored 75 and above marks in IFS Global Markets audits and successfully passed the audit, and 84.09% of our supplier companies successfully passed GC Ethical and Social Compliance audits.

In 2022, we set a goal of increasing the average pass rate of our audited suppliers by at least two percentage points. We achieved this goal, with the average pass rate on IFS Global Market audits increasing to 87.52% and the average pass rate on GC-Ethical & social compliance, environment, OHS audits increasing to 81.71%.

In 2022, 59% of our suppliers passed both audits and were accredited as a **GC Migros Approved Supplier**. Suppliers approved by Migros are assessed in three categories – “Gold”, “Silver” and “Bronze” – according to their level of success in the audits, and they get the opportunity to announce their success on the GC Portal.

In 2022, 276 suppliers were awarded GC Migros Approved Supplier accreditation, of which 45 were Gold, 158 Silver, and 73 Bronze.


In 2022, 150 of our candidate suppliers underwent 183 product safety audits; 121 of them passed. We carried out 125 ethical, social and environmental compliance audits to 101 nominee supplier

companies in accordance with GC-Ethics and Social Compliance criteria, and decided to work with 78 suppliers which successfully completed the process.

Of the nonconformities in supplier performance which are identified and for which follow-up audits are performed, 31.9% are related to OHS issues; 30.3% environmental issues; 13.7% working conditions; 5.1% resource management; 3.6% planning; 3.4% measurement analysis and improvement; 3.4% discriminatory practices; 2.7% management review processes; 1.7% social responsibility policies; 1.6% legal and regulatory requirements; 1.6% forced labor and child labor; 0.8% adequate documentation; 0.2% responsibility, authorization and communication.

In 2022, our supplier audits found no violations of employees’ rights to associate or bargain collectively. We also found no suppliers to be at significant risk of infringing these rights. In the reporting period of 2022, no supplier was identified during the supplier audits that breached the rights of organization or collective agreement, or that might be exposed to significant risk. In 2022, 6 domestic suppliers were found to be child labor cases during our supplier audits. These suppliers were notified of the violations and were required to take corrective action. Follow-up audits were conducted to ensure compliance.

In addition, 84 inappropriate cases that can be considered as forced labor were identified because of the audits carried out, related to the use of the right to maternity leave, breastfeeding leave, overtime pay and annual paid leave. The supplier companies were requested to act on this issue. In our supply chain, we didn’t receive any unfavorable feedback from non-governmental organizations or other external organizations during the reporting year.

In 2022, independent external auditors reviewed the declarations of our ethical and social audits on our suppliers for compliance with our Responsible Sourcing Policy under the criteria of discrimination, freedom of association, right to collective agreement, child labor and forced labor criteria; and the declarations verified to comply with the international **ISAE 3000 (Revised)** standard. **Statement of Independent Assurance in Human Rights and Supply Chain** (Selected Criteria) may be found in the “**Annexes**”  section of this report.

GC MIGROS APPROVED SUPPLIER

IN 2022, 276 SUPPLIERS WERE AWARDED GC MIGROS APPROVED SUPPLIER ACCREDITATION, OF WHICH 45 WERE GOLD, 158 SILVER, AND 73 BRONZE.



Sustainable Growth with Our Suppliers



Migros Supplier Academy

We audit our suppliers to ensure the sustainability of our value chain. We also believe that contributing to the development of our suppliers is critical to our business model. To achieve this, we established the Migros Suppliers Academy in 2020. Through the Migros Suppliers Academy, we provide regular training to our private-label, MİGET, Tazedirekt, local, and other small and medium-sized suppliers to help them comprehensively improve their performance.

In 2022, we provided training to 544 suppliers through the Migros Suppliers Academy. The details of these trainings are as follows:

Training Topics	Training time/person (hours)
Product Safety	1,248
IFS TR	159
Ethics	1,062
Anti-Bribery	1,062
Employee Rights	1,062
Environmental Responsibility	1,062

Our training program provides all suppliers with information on legal and regulatory requirements, pest control practices, product contamination and destruction management, labeling, infrastructure requirements, personnel hygiene, and traceability. In 2022, we also provided private-label product suppliers with ethical and social compliance training on topics such as ethical behavior, legally mandated social issues, working conditions, involuntary employment, child labor, occupational health & safety, and environmental management.

We also contribute to the development of our suppliers by providing them with training on food-loss prevention awareness from the United Nations Food & Agriculture Organization and on product safety and contamination risk management awareness from IFS.

Potential **Tazedirekt** suppliers whose products we would like to sell and who are interested in improving themselves are provided with voluntary access to Migros Suppliers Academy's regular online training resources. We conducted post academy-training audits of 24 suppliers in 2022. 60% of them successfully passed their first audit. We supported those who did not in their efforts to improve their performance and carried out follow-up audits to determine whether or not they had done so.

Local Supply

We act with the awareness that local production is a fundamental element of regional and national development. We have developed a business model that prioritizes local procurements and sales. We believe that this model contributes to local economies by promoting the consumption of products near to their place of production. Most of the fresh produce we procure is sold in stores located in the same region. We also allocate significant space in every store for the display and sale of local products and brands. Thus, we contribute to the branding and strengthening of local producers. This also makes it easier for consumers to access the locally-grown fresh fruits and vegetables that they are accustomed to. Local brands are those that produce goods made using raw materials sourced from the same region. We also display and sell these brands' goods in geographically close stores. These practices have the additional benefit of lower prices due to logistical cost savings and lower carbon emissions as a result of more efficient distribution processes. In addition, we place a total of 186 geographically marked products on our shelves, 24 of which are private label and 17 branded products sold at "Only at Migros".

Detailed information about the **Migros Family Clubs**  and **Migros Women's Academy**  training and other resources we make available to local cooperatives and producers is provided in pertinent sections of this report.