



UN Global Compact Communication on Progress

10 October 2017

City Mart Holding Co., Ltd.

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CEO statement

Dear Stakeholders,

CMHL is the leading retailer in Myanmar and we are quickly developing our footprint in the country. We now have more than 200 stores, we are present in 7 major cities in Myanmar and, last year, our 9,000 associates served our customers 46.8 million times.

As a family-owned company, we want to expand our operations responsibly, sustainably and with the right partners. That is why, in 2016, we decided to team up with the IFC to support our development and why, during the last financial year, we finalized our strategic vision and plan for 2025. For us, it is clear: we aim to be the benchmark of excellence for responsible business practices in Myanmar while being a leading contributor to create and share economic value with our stakeholders. As a result, we will have to change the way we are managing and reporting our results especially our non-financial performance. This will be a long journey and we started it only a few weeks ago: we will value and appreciate your views and your insights to help us improve our approach.

CMHL now has a sustainability manager and we are designing our sustainability strategy. We have engaged in dialogue with some of our key stakeholders to prioritize their expectations and to identify the most relevant topics for them and for us. We will then build a roadmap, select the most suitable KPIs to make the right decisions and report openly and transparently our performance against our targets next year. This will be our way to walk our talk and to assume our leadership.

For now, this report is our answer to the ten principles of the UN Global Compact in the areas of labour, human rights, environment and anti-corruption. It has been slightly updated since last year and we hope you will appreciate the new content we disclose. Should you have any comment or question regarding our COP report, do not hesitate to reach us by email: htetkhine@cmhl.com.mm

Yours sincerely,



Win Win Tint

Chief Executive Officer, CMHL

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CMHL approach to sustainability

Our business responsibility is to secure the sustainability of our business

CMHL recently updated in 2017 its strategic vision for 2025. It is based on 7 pillars that will shape our business sustainability and that are all interconnected. It is essential for us to be the benchmark of excellence in Myanmar thanks to our business practices with all our stakeholders: the more responsible, the more sustainable our business will be. Why?

Retail in Myanmar will be a growing sector for two main reasons:

- First, more people will be able to buy from modern retailers. According to McKinsey research¹, households who have at least a daily income of US\$ 10 will grow by a factor 5 between 2016 and 2030.
- Second, the market share of modern retail will grow in Myanmar probably faster than anywhere else in ASEAN countries. According to Euromonitor and Nielsen data, if we compare the market share between modern and traditional retail, the modern retail market share in Myanmar is the lowest of all ASEAN countries with only 15% compared to 90% in Singapore, 45% in Thailand or 24% in Vietnam.

As this market will be a fast growing one, more competitors will try to enter and develop their activities. Therefore, CMHL will have to compete with new comers and our business sustainability will rely on our ability to build, develop and expand a strong and durable business ecosystem with and for all our stakeholders. We will aim to:

- strive to provide safe, quality-assured, healthy food and we will do our best to source our products from local producers whenever possible. To achieve this, we will strengthen our partnerships with our local suppliers,
- offer the best career opportunities and working conditions in the retail sector in Myanmar to attract, retain and develop the most talented people to serve our customers,
- invest continuously in order to enhance the customer's experience while continuing to satisfy our patrons with innovative and useful technologies and products
- be the preferred retailing business partner to take advantage of the future market opportunities in Myanmar in a responsible manner.

¹ Cf. McKinsey Global Institute: Myanmar's Moment (2013) & Estimate

Endorsing the most demanding standards

We decided in 2017 to structure our sustainability journey with the support of Yever, an external consultancy based in Myanmar. In addition, a new sustainability manager is now responsible and accountable for managing CMHL's sustainability roadmap.

Our approach has been designed to:

- comply with the most demanding sustainability standards (SDGs, GRI G5, AA1000, IFC Performance Standard, ...) and norms (SASB, DJSI, ...),
- identify, prioritize and then manage the social, environmental and economic impacts across our value chain.

We used the AA 1000 standards to structure our approach for identifying and prioritizing the expectations of our stakeholders. This COP report demonstrates CMHL adherence to these principles:

- **Inclusivity:** to identify the expectations of our stakeholders, we engaged them in dialogue. At Group level, our sustainability manager interviewed 9 executives from various organizations (NGOs, business partners, experts, ...) to discuss their expectations and view regarding the sustainability challenges for CMHL. In September 2017, we held our yearly Supplier conference to update our suppliers with our results and to inform them about our next initiatives. At store level, our managers are in touch with our customers, our employees and the communities on a daily basis.
- **Materiality:** to focus our efforts on the most significant challenges, we reviewed how our peers were structuring their sustainability approaches, selected a list of topics that were relevant for our sector and for Myanmar and discussed it with our stakeholders and with our top managers and this first selection has already been shared internally with the top management of the company. We will debrief the 9 executives previously interviewed to get their feedback before the end of the year and we will publish our materiality matrix during the first quarter of 2018.
- **Responsiveness:** since 2012, we have published our UNGC COP report every year². We will publish our first sustainability report next year that will contain the KPIs we will use to monitor our sustainability performance. This report will comply with the GRI G5 requirements.

² All the report are available online: <https://www.unglobalcompact.org/what-is-ugc/participants/17509-City-Mart-Holding-Co-Ltd-#company-information>

Human rights

Assessment, policy and goals

We are committed to respecting the protection of internationally proclaimed human rights and ensuring that we are not complicit in human rights abuses.

As a retailer, we have identified three key areas in which we must be aware of the potential for human rights abuses:

1. We employ approximately 9,000 employees and must work to ensure that we protect their human rights
2. As part of the global supply chain, we recognise that we have a responsibility to encourage human rights among our suppliers and the farmers, fishermen and manufacturing workers upon whom our suppliers depend
3. We undertake construction projects for our shopping centres, supermarkets and hypermarkets and people's land rights may be affected by our developments

Regarding our employees, our measures to protect their rights are set out in the next section, "Labour".

In our terms and conditions with suppliers, we require that all our suppliers confirm that they comply with our Code of Conduct which includes our commitments to human rights. We undertake due diligence to test potential suppliers' commitments to protecting human rights. We will choose not to deal with business partners who we believe are not doing enough to uphold human rights.

We are committed to recognising and protecting people's land and resource rights, particularly the rights of those located near to, or who may be affected by, our operations.

Our goals are to (1) protect the human rights of all our employees and people who may be affected by our operations and (2) deal only with business partners who also work to uphold human rights.

Implementation

In 2016, we have been complying with an environmental and social action plan (ESAP) that we prepared in conjunction with the International Finance Corporation (IFC), a member of the World Bank Group. A copy of our ESAP is available to view on CMHL corporate website. We will report our progress in our first sustainability report in 2018.

We are taking the following actions to improve our systems and procedures as regards human rights:

- We are improving our systems to screen primary suppliers for potential child and forced labour practices and address issues if found, to the extent that the company has commercial leverage over those primary suppliers.
- We are refining and improving our life and fire safety systems

Measurement of outcomes

We measure our human rights compliance by monitoring:

- Employee grievances which have been communicated through the channels we have established
- Continuing due diligence on suppliers and other business partners regarding their human rights record
- Feedback from communities that may be affected by our developments

Our philanthropic body, the City Love & Hope Foundation meets regularly to review the outcomes of its initiatives to improve the lives of people in Myanmar. For example, our foundation supported organizations that are being involved to promote:

- education like the Myanmar Deaf Community Development Association as they are providing vocational trainings to students with disability
- health like the World Child Cancer Program or the A4D Diabetes Program
- local NGOs to help them expanding their activities during special events in City Mart stores.

Labour

Assessment, policy and goals

CMHL employs approximately 9,000 members of staff. Our employees are entitled to all applicable rights under Myanmar law and international standards. In particular, we commit to safeguard the following rights:

- We recognise the dignity of all persons and respect their freedom and privacy
- All employees shall be entitled to just and favourable remuneration
- Employees shall be entitled to fair working hours and holiday entitlement
- We allow our employees freedom of association and the right to engage in collective bargaining

- We will not discriminate on the grounds of gender, marital status, age, religion, physical ability, sexual orientation, political beliefs or social class in the workplace or when considering promotions
- All employees should be allowed to perform their role without being bullied, harassed or threatened
- We will not force anyone to work for CMHL and will refuse to deal with business partners that engage in forced or compulsory labour practices

We consider these rights to be the minimum standards that we offer our employees. In order to foster a culture where people are proud to work for us, we offer various benefits to all employees, including provision for health care, favourable terms to buy expensive household essentials using hire purchase, a special provident fund and staff discounts.

Implementation

We have begun a process of advanced implementation of our Code of Conduct. Under this process, we will:

- appoint “Code of Conduct Champions” from each department of our operations to ensure that our company and all employees are living by the principles contained in our Code of Conduct
- train all the employees who will join our company on our Code of Conduct and we will test all our employees at least once per year to check if they have understood and if they act accordingly to our Code of Conduct
- raise awareness internally with a targeted messaging campaign

Measurement of outcomes

We measure our human rights compliance by monitoring:

- Employee grievances which have been communicated through the channels we have established
- Employee satisfaction and staff turnover

During the FY16–17, CMHL provided 247,112 hours of training to its associates (vs. 150,299 hours for the FY15–16). This represents an average of 27 hours per employee.

We review our staff benefits on a regular basis to ensure that we continue to offer a fair deal to our employees.

Environment

Assessment, policy and goals

Our shopping centres, branches, distribution centres and offices use resources such as electricity, water, diesel and paper. It is our policy to reduce use of these resources as much as possible. We also commit to support environmental causes through the City Love & Hope Foundation.

Implementation

As part of the IFC ESAP we are undertaking the following actions:

- We are setting up a practicable system to screen primary suppliers for potential impacts on biodiversity (primarily in relation to farms located in ecologically sensitive areas which may potentially entail significant conversion of natural or critical habitats), and address issues if found, to the extent that the company has commercial leverage over those primary suppliers.
- For properties which discharge directly to surface water, and those that discharge into the sewer system of cities/towns which do not have a municipal waste water treatment plant, we are commissioning tests of waste water levels by a qualified testing entity. We will propose corrective actions (including equipment/facility retrofit as needed, such as ensuring that sewers are sealed and putting in place separate storm water discharge systems where technically and financially feasible) should results exceed World Bank Group Environmental Health and Safety General Guideline levels.
- We are using the GHG Protocol to quantify total greenhouse gas emissions from our operations, and explore technically and financially feasible options for greenhouse gas reduction. For instance, we are now installing LED lighting system in order not only to improve the energy efficiency of our operations but to reduce our GHG emission.

We run “no plastic bag days” in our stores on one day every month.

The City Love & Hope Foundation works with a Myanmar NGO, Forest Resource Environment Development and Conservation Association (FREDA), to fund and support a tree-planting initiative.

Measurement of outcomes

The City Love & Hope Foundation meets regularly to review the outcomes of its environmental initiatives.

We measure our electricity, water, diesel and other resource usage to identify where we can make environmental savings.

Anti-corruption

Assessment, policy and goals

CMHL takes a zero tolerance approach to corruption or bribery committed by our directors or employees, regardless of their position in our organisation, or business partners.

We do not give, promise or offer to give or discuss giving an undue advantage to any person, whether a public official or a private employee, in order to influence that person to act in an improper manner.

We have a comprehensive gifts, hospitality and expenses policy to ensure that our employees are not receiving undue advantages.

Implementation

We are reviewing the due diligence that we perform on our suppliers and business partners to ensure that they also commit to work against corruption

Measurement of outcomes

Our audit committee regularly reviews company transactions for signs of any irregular payments. Our audit committee also monitors gifts and expenses received by our employees to ensure that they are proper.