Enjoyment with a clear conscience

Sustainability Report 2015
Sustainability in practice

Dear Reader,

In 2014, M-Industry adopted a group-wide sustainability strategy, which it applies uniformly across all companies. With its commitment to sustainability, it carries out its responsibility toward customers and society across the entire value-added chain: from the cultivation of raw materials to recycling. It strives for a balanced relationship between the three domains of environment, economy and society.

**Ambitious objectives until 2020 and pioneering visions until 2040** form the framework of a multitude of actions. In this report, we openly present our progress in achieving these objectives. Using selected examples from our industrial operations, we demonstrate our step-by-step approach with unified efforts toward the set objectives. Ultimately, it is a great number of small actions and changes that make a significant contribution to our visions.

M-Industry stands for enjoyment with a clear conscience, now and in the future.

**Walter Huber**
Head of M-Industry
Member of the Executive Board of the Federation of Migros Cooperatives
Quality Swiss products – produced sustainably and responsibly

The M-Industry Group
The 21 Swiss companies and 6 international operations of M-Industry produce over 20,000 high-quality food and near-food products. M-Industry is part of the Migros Group, the world’s most sustainable retailer (2014/15 Oekom rating). One of its core strengths is the production of Swiss-quality private labels that are sold in approximately 50 countries. M-Industry’s customers include large well-known international companies.

Responsible and sustainable production has always been a concern of M-Industry. Every day, over 13,000 employees work with enjoyment and passion for healthy, sustainable and safe products.
Facts and figures for fiscal year 2015

Exemplary – also as an employer
With 13,000 employees, currently including 526 apprentices in over 30 professions, M-Industry is a major employer in Switzerland. Numerous companies carry the seal “Friendly Work Space”. The Health Promotion Switzerland foundation certifies outstanding companies that comprehensively and systematically promote employees’ health. It is our goal to have all companies earn this label by 2020.

M-Industry is committed to Switzerland as a workplace

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Net revenue, million CHF</td>
<td>6,255</td>
</tr>
<tr>
<td>Number of employees</td>
<td>13,113</td>
</tr>
<tr>
<td>Number of apprentices</td>
<td>526</td>
</tr>
<tr>
<td>Investments in the Swiss workplace, million CHF</td>
<td>200</td>
</tr>
</tbody>
</table>
Our concept of sustainability covers the entire value-added chain: from the cultivation and procurement of raw materials and processing at our facilities to consumption and recycling. We also consider processes in upstream and downstream stages and strive for closed ecological cycles. That is, resulting waste should be fed back into material streams as much as possible.

Ten action fields in the domains of environment, society and economy
We have defined ten concrete action fields along the entire value-added chain that we aim to improve with specific measures. These action fields are drivers of sustainable development in the three domains of environment, society and economy. Each employee contributes significantly through his or her actions to achieving the objectives.
Our path to a sustainable future

With our commitment to sustainability, we close ecological cycles and support biodiversity and animal welfare. We reduce the use of resources such as energy, water and raw materials along the entire value-added chain. By doing so, we want to safeguard long-term economic success, provide comprehensive support to employees and ensure sustainability of the ecosystem. In order to achieve this, we have established more than 40 ambitious objectives for 2020 that address the ten action fields. Numerous visions provide the long-term direction.
Sustainability organization in M-Industry

Negotiating, inspecting, improving
Implementation of the sustainability strategy is actively and systematically promoted in the individual companies as well as in the group. The group-wide M-Industry sustainability strategy with defined action themes and main objectives forms the binding framework for all companies. The companies have the freedom to independently set measures that are best suited to fulfilling the objectives in their businesses. They can also take up additional company-specific objectives. A steering group that meets at least three times a year is responsible for the implementation and further development of the strategy. All segments are represented either by a member of senior management or the Head of Sustainability. At least twice a year, the head of the steering group reports to the M-Industry senior management – M-Industry’s top level board – on the progress of the achievement of their objectives. This monitoring includes indicators and a qualitative progress assessment. Regular monitoring plays an important role in meeting the set objectives by 2020. This allows for any deficiencies to be recognized early and corrective measures to be introduced.

ISO 14001 certification as a comprehensive sustainability management system
One objective of the sustainability strategy is for all companies to set up an environmental management system certified according to the ISO 14001 standard. This system proves that the M-Industry companies adhere to environmental requirements, minimize impacts on the environment and make continual environmental improvements. The implemented management and monitoring process is not applied to the environmental objectives but rather to all sustainability objectives.

M-Industry companies already certified according to ISO 14001:
Aproz, Bischofszell Food, Chocolat Frey, Elsa, Mibelle Group (Mibelle, Mifa), Mifroma, Saviva

ISO 14001 certification is planned in 2016 for the following companies:
Delica, Jowa, Mibelle Group (Mibelle, Mifa), Riseria

M-Industry Group certification is also planned for 2016.
M-Industry successes in 2015

Cultivation & procurement
- 99% of fish from sustainable sources
- 90% of Swiss grain from strict IP-Suisse production
- 90% of coffee is UTZ certified

Production & trade
- 6,240 tonnes less CO₂ compared to 2010
- 5% less heat consumption per produced tonne compared to 2010
- 26% more apprentices compared to 2011

Consumption & recycling
- CHF 1.4 billion revenue with label products
- 82% recycling of generated waste
Cultivation & procurement – vision 2040: 100% sustainable raw materials
Raw materials from sustainable production

Important consumers of Swiss agricultural products
Raw materials used in M-Industry products are procured in consideration of environmental and social standards. The proportion of raw materials meeting sustainable labels or standards is growing steadily. We promote fair working conditions with our suppliers. M-Industry is an important partner of domestic agriculture. M-Industry companies purchase and process nearly one-quarter of the entire primary production. Swiss raw materials represent 70 to 80% of the total used by M-Industry. For milk this is virtually 100%. The proportion for meat is about 80%. Over 90% of bread cereals are procured from domestic production. Swiss agriculture meets high international standards for animal and environmental protection. Organic and TerraSuisse* products go considerably beyond the Swiss laws for animal and environmental protection.

The total proportion of imports is relatively small at 20 to 30%. Imported products are especially important for companies that process cocoa, coffee, rice, vegetable fats or seafood. For imported products, we follow sustainability standards such as UTZ** or Max Havelaar***, which include social and environmental criteria. In addition, we support the Business Social Compliance Initiative (BSCI) for improved working conditions in our global value-added chains.

Partnership with producers
M-Industry strives for direct partnerships with producers. It promotes environmental and social production standards. Only through fair cooperation can pioneering projects be carried out with our partners. A successful example is the multiyear partnership with IP-Suisse producers, with whom we promote sustainable agriculture.

90% of Swiss grain from IP-Suisse production*

99% of fish from sustainable sources

* IP-Suisse / TerraSuisse: animal and environmentally friendly Swiss agriculture
** UTZ: coffee, cocoa and tea from responsible cultivation
*** Max Havelaar: fair trade products
Overview of the most important objectives

### Vision 2040

100% sustainable raw materials

### Objectives 2020

<table>
<thead>
<tr>
<th>Objective</th>
<th>Status of achievement of objectives 2020*</th>
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<tbody>
<tr>
<td>Introduction of a sustainability evaluation at the agricultural operations level</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
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<tr>
<td>Arrangement of a long-term partnership between M-Industry and IP-Suisse</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
</tr>
<tr>
<td>Grass-based feed for cattle</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
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<tr>
<td>No water-intensive raw materials from water-scarce regions</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
</tr>
<tr>
<td>All producers from BSCI risk countries are integrated in the social compliance process (e.g. fair working conditions, no child labor)</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
</tr>
<tr>
<td>No increase in airplane transport</td>
<td><img src="image" alt="On track" /> <img src="image" alt="On track" /></td>
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<tr>
<td>Introduction of the high Swiss animal welfare standards with our foreign suppliers</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
</tr>
<tr>
<td>100% fish from sustainable sources (MSC, ASC, organic or WWF score 1–3)</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
</tr>
<tr>
<td>80% of cocoa beans are UTZ certified</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
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<tr>
<td>90% of coffee is UTZ certified</td>
<td><img src="image" alt="Not on track" /> <img src="image" alt="On track" /></td>
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</table>

* Rating is based on the measurement of achievement of the ambitious objectives. An objective can therefore receive a rating of “not on track” in spite of many measures having been achieved.
Commitment to sustainable coffee production

Objective 2020
90% of purchased coffee is UTZ certified, which ensures traceability.

Actions & results
Delica strives for multiyear partnerships with coffee suppliers. In addition to the significant protection of the environment and the natural resources for coffee cultivation, great emphasis is also placed on social criteria. This includes training and price premiums for farmers, higher income thanks to improved cultivation methods and increased harvests with better quality.

>90% of coffee comes from UTZ-certified cultivation. At the same time, traceability is ensured down to the farming community in the land of origin (by means of the EAN code).

Delica has already surpassed this 2020 objective.
Fish from sustainable aquaculture throughout the year

Objective 2020
100% fish from sustainable sources (organic, MSC, ASC or WWF score 1–3)

Actions & results
Perch is one of the most popular fish eaten in Switzerland. Until now it has been sourced mainly from threatened wild stocks in Estonia, Poland and Russia. In order to combat this, Micarna has a 50% holding in KM Seafood, which was created in 2015 for sustainable perch production. The first milestone was the construction of a 150-tonne perch facility in Germany that today houses independent reproduction facilities for breeding. The final rearing of fish is intended to be carried out on Swiss farms from 2017.

Conservation of wild perch stocks in Eastern Europe

Integration of innovation into our own value-added chain, for example alternative sources of protein, probiotics or technological improvements

Reduced soil and water need by using recycled water
Long-standing partnership with IP-Suisse

Objective 2020
Long-term partnership of M-Industry with IP-Suisse in terms of a cooperative value-added chain

Actions & results
M-Industry and IP-Suisse have introduced a point system for the promotion of biodiversity. Over 10,000 farmers produce according to strict IP-Suisse guidelines. Animal friendly livestock farming is just as important as environmentally sensitive, natural cultivation of grain, potatoes, fruit and rapeseed. Special attention is given to the creation of habitat for wild animals and rare plants in Switzerland. Furthermore, farmers avoid the use of fungicides and insecticides.

Jowa produces more than 90% of its bread from IP-Suisse grains. It commits to five-year contracts with IP-Suisse producers with agreed-upon quantities and premiums. Swiss farmers are supported through sales guarantees and sustainable cultivation methods.

90% of grains processed at Jowa are produced according to IP-Suisse guidelines and therefore without fungicides or insecticides.
Commitment to sustainable orange juice production

**Objective 2020**
Orange juice is 100% traceable and cultivated according to fair trade criteria.

**Actions & results**
*Bischofszell Food* has established long-term partnerships with farmers organizations in Brazil. The agreement includes environmental and social criteria for orange cultivation, training and price premiums for farmers, significant protection of the environment and the natural resources, development of village communities and children's projects in the cooperatives.

100% of orange juice comes from concentrate from Max Havelaar-certified cultivation with direct traceability to the farmers.
Production & trade – vision 2040:
100% renewable energy
M-Industry is an attractive employer

**Progressive working conditions**
Health, occupational safety as well as training and continuing education for employees have always been our concern. We therefore offer personality-enriching, health-maintaining jobs and pay fair, appropriate, performance-based compensation. The commitment and the capabilities of our employees are an integral part of our success.

**Training and continuing education**
Training and continuing education for employees as well as their advancement are key to ensuring well-qualified new talent. For example, skilled workers and managers receive training as part of a systematic management development program. Occupational training is a particularly important concern of M-Industry. In 2015, a total of 526 apprentices were trained in over 30 different professions, which is 54 more than in 2014.

**Resource-efficient production processes**
Through the selection of processes, facilities and infrastructure, we achieve a considerable effect on the reduction of emissions, increase in the efficient use of resources and reduction of usage of nonrenewable resources. Numerous innovative energy-saving projects were carried out in previous years or are in planning. We are thus gradually approaching our vision of 100% renewable energy use.

**Innovation**
Innovation is a central driver of a sustainable economy. Only through the development and use of new technologies and processes or the development of new business models will we be able to achieve our visionary objectives.

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526 apprentices
13,113 employees at the end of 2015
6,240 fewer tonnes of CO₂ for heating compared to 2010
5% less heat consumption per tonne produced compared to 2010
Overview of the most important objectives

**Vision 2040**

- 100% renewable energy

**Objectives 2020**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Status of achievement of objectives 2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% reduction of specific** electricity consumption</td>
<td>![ ]</td>
</tr>
<tr>
<td>20% reduction of specific** heat consumption</td>
<td>![ ]</td>
</tr>
<tr>
<td>10% reduction of specific** water consumption</td>
<td>![ ]</td>
</tr>
<tr>
<td>20% fewer CO₂ emissions caused by heat consumption</td>
<td>![ ]</td>
</tr>
<tr>
<td>500 apprentices</td>
<td>![ ]</td>
</tr>
<tr>
<td>All sites meet the requirements of “Friendly Work Space”</td>
<td>![ ]</td>
</tr>
<tr>
<td>Create 13 new qualified part-time positions per year</td>
<td>![ ]</td>
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<tr>
<td>At least 60% of vacant managerial positions are filled by junior staff from the Migros Group</td>
<td>![ ]</td>
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<tr>
<td>Certification to ISO 14001</td>
<td>![ ]</td>
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<tr>
<td>Natural landscaping on company premises</td>
<td>![ ]</td>
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<tr>
<td>50% reduction of CO₂ from refrigerants</td>
<td>![ ]</td>
</tr>
<tr>
<td>107% increase in energy efficiency</td>
<td>![ ]</td>
</tr>
<tr>
<td>Culture of innovation is reviewed and strategically promoted</td>
<td>![ ]</td>
</tr>
</tbody>
</table>

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** Specific refers to the relevant indicators per produced amount.
Conservation of energy, water and climate

**Objective 2020**
Reduction of specific electricity consumption by 10%

**New facilities and production improvements reduce electricity consumption**

**Actions & results**
Thanks to a CHF 1 million renovation of air ventilation compressor systems, Mifa is saving a lot of electricity in a very economical manner. For example, demand-driven rotation-speed control was built into air compressors and the associated compressed-air network was improved with demand optimization and the repair of leaks. The compressors are already set up to be used with a new factory-provided heat recovery system to become operational in 2017 that will bring about a further reduction in heat energy consumption (gas).

35% less electricity consumption for Aproz’s lighting

275 MWh of electricity saved each year at Mifa
This corresponds to the annual electricity consumption of nearly 50 households.

**New lighting for rail loading hall**
Actions & results
Replacement of the old lighting system at an investment cost of about CHF 500,000 provides improved lighting efficiency in the Aproz rail loading hall. Energy-saving LED lights with motion sensors save additional electricity.
Conservation of energy, water and climate

**Objective 2020**
Reduction of specific heat consumption by 20%

**2014**
A 350-kilowatt heat pump has been in operation in the central cooling facility for Midor’s bakery production as well as a 488-kilowatt heat pump in the ice cream production facility.

**Objective 2020**
20% reduction of CO₂ emissions caused by heat consumption

**Two heat pumps save natural gas and water**

**Actions & results**
Since 2014, a 350-kilowatt heat pump has been in operation in the central cooling facility for Midor’s bakery production as well as a 488-kilowatt heat pump in the ice cream production facility.

**1200 MWh**
The heat pump in the central cooling facility for bakery production reduces Midor’s natural gas consumption by an additional 20% per year.

**Renovation of CCA superstore with benefits for the environment**

**Actions & results**
Refrigeration/freezer units at CCA were outfitted with glass doors and are operated with environmentally friendly CO₂ refrigerants.

The exhaust heat from new commercial refrigeration systems is used for instore heating in the food and nonfood area. In addition, a district heating connection to the Umwelt Arena Spreitenbach is used for heat production.

300 tonnes fewer CO₂ emissions at CCA
Focus on employees and apprentices

**Objective 2020**
M-Industry trains at least 500 apprentices every year. All production locations meet the requirements of “Friendly Work Space”.

**Actions & results**

**Apprentices**
Jowa is the largest trainer in the bakery sector. Twenty-six new apprenticeships have been created since 2012. Today Jowa offers about 140 apprenticeships in different professional fields.

The Mibelle Group has also greatly expanded its apprenticeship training program. Since August 2015, 13 different educational professions have been offered (including the rotation of apprentices with partner companies). The Mibelle Group employs 44 apprentices, which corresponds to 6% of all employees.

**Micarna’s Mazubi project**
Mazubi is organized as a virtual company led by apprentices – a virtual corporation in which real products are developed, produced and marketed. This promotes the entrepreneurial thinking and negotiation skills of apprentices. The head of Micarna, Albert Baumann, was awarded the Swiss Award for this project in 2015.

**Friendly Work Space**
With the “Friendly Work Space” label, the Health Promotion Switzerland foundation certifies outstanding companies that comprehensively and systematically promote employee health. Mifa was newly certified in 2015.

In 2015, **526 apprentices** were trained in over 30 different professions in M-Industry companies, which is 136 more than in 2011.

**One-third of all companies** are certified with the “Friendly Work Space” label from the Health Promotion Switzerland foundation.
Consumption & recycling – vision 2040:
100% recycling
Each company makes its contribution

**Products for enjoyment with a clear conscience**
We want to boost the portfolio of products with a long-term added value (e.g. products that meet labels or standards) through the design of our product line, new developments and commercialization. Our customers should be able to rely on safe products, the origin of which we know to the greatest extent possible. Consumers’ health is a primary concern of ours. With a diverse offering of healthy food products as well as a clear declaration of nutritional values, we make it easier for consumers to eat healthily and improve their well-being.

**High standards for packaging**
Packaging serves primarily to protect a product from premature spoilage and damage during transport. It facilitates efficient logistics handling and ultimately also provides information to customers. With appropriate packaging, M-Industry wants to increase product safety and guarantee a longer shelf life, which will also contribute to a reduction of food waste. In the development of packaging, great emphasis is placed on the conservation of resources and recyclability.

**Waste and recycling**
On the one hand, M-Industry aims to reduce as much waste as possible, and, on the other hand, recycle refuse and avoid food waste to the greatest extent. We strive to close ecological cycles. For example, organic by-products (e.g. bread or potato peals) are used as animal feed.

- 82% of generated waste recycled
- 235,387 tonnes of label products sold
### Overview of the most important objectives

<table>
<thead>
<tr>
<th>Vision 2040</th>
<th>Objective 2020</th>
<th>Status of achievement of objectives 2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% recycling</td>
<td>2% more revenue with sustainable products (e.g. organic, TerraSuisse, UTZ, ASC, MSC) per year</td>
<td><img src="image" alt="rating" /></td>
</tr>
<tr>
<td></td>
<td>80% total recycling</td>
<td><img src="image" alt="rating" /></td>
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<tr>
<td></td>
<td>100% recycling of all organic material</td>
<td><img src="image" alt="rating" /></td>
</tr>
<tr>
<td></td>
<td>15% less specific** food waste</td>
<td><img src="image" alt="rating" /></td>
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<tr>
<td></td>
<td>5% less specific** waste</td>
<td><img src="image" alt="rating" /></td>
</tr>
<tr>
<td></td>
<td>10% less specific** packaging material</td>
<td><img src="image" alt="rating" /></td>
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<tr>
<td></td>
<td>10% more recycled material in packaging</td>
<td><img src="image" alt="rating" /></td>
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<tr>
<td></td>
<td>10% more renewable raw materials in packaging</td>
<td><img src="image" alt="rating" /></td>
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<tr>
<td></td>
<td>90% of products in relevant product groups are based on economically recognized guidelines for nutritional composition</td>
<td><img src="image" alt="rating" /></td>
</tr>
</tbody>
</table>

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** Specific refers to the relevant indicators per produced product amount.
Packaging optimizations at Aproz and Mifa

Objective 2020
10% less specific packaging material

10% less PET due to new bottles

Actions & results
Aproz developed a thinner PET bottle that has proven itself many times over. The tapered design provides stability, and the stylish and modern design ensures better handling. In particular, a considerable amount of packaging material can be saved. Further reductions come from a 4-millimeter reduction of the closure and lid as well as thinner packaging film for six-packs. These improvements were recognized in 2015 by the association Valais excellence for exemplary measures in the area of sustainability developments.

253 tonnes of plastic per year were reduced by the Aproz brand alone.

Spray bottles from 100% recycled PET

Actions & results
With the PET spray bottle of the “M-Plus” line, Mifa and Migros developed innovative environmentally friendly packaging for cleaning agents made from 100% recycled PET. Since the color of recycled PET material can vary greatly, it was a particular challenge for designers to create a transparent bottle without coloring. The bottle has already received two awards: the Swiss Packaging Award and the World Star Award. Furthermore, the proportion of recycled PET is being continually increased in all other products with PET bottles.

197 tonnes of recycled PET were used by Mifa.
Reduction of the transport of organic residues

Objective 2020
100% recycling of all organic material

Actions & results
Elsa installed a system to process all by-products. The new filtration technology (reverse osmosis) is a replacement for the vaporization system and allows a concentrated mass to be produced from organic residues. Processing has become more economical, ecological and efficient.

50% volume reduction of organic residues at Elsa from 22.3 million liters to 11.4 million liters
Consumption & health

**Objective 2020**
15% less specific food waste

**Reduced food losses with toast bread**

**Actions & results**
Since 2012, cuttings of some of the toast breads at Jowa have been reused by adding them to the next dough mixture. The cuttings are of high quality and impeccable and can be reprocessed without hesitation as bread instead of as animal feed. Since February 2016, this proven method has been used with other toast bread varieties too.

**50 tonnes**
less food waste per year at Jowa

**Objective 2020**
90% of products are based on scientifically recognized requirements for nutritional composition

**Healthy products according to the Gold Standard – significant sugar reduction in milk products**

**Actions & results**
Elsa has optimized its yogurt line according to current nutritional recommendations. In addition, the entire line of milk products was carefully reviewed, and formulations were modified according to scientific guidelines of the Zurich University of Applied Sciences (ZHAW). One result of this is a substantial reduction of sugar content in approximately 100 products.

85%

of yogurt formulations at Elsa fulfill the Gold Standard guidelines.
We want to be a driver and shaper of sustainability put into practice.

With active visionary approaches, we would like to set the pace in the field of sustainability.

We would like to continually surprise our customers with pioneering achievements and innovations and motivate ourselves to achieve top performance.

Every day over 13,000 employees in our companies commit themselves to this end.