

# Internal Control Instruments

---

The Board of Directors and the Executive Board of the FMC attach great importance to good corporate management. This includes internal controls and monitoring by means of integrated multi-level risk management and the development of a systematic compliance programme.

As the internal auditors, Mitreva Interne Revision AG carry out audits. The G. and A. Duttweiler Foundation ensures that the ideas of Migros' founder Gottlieb Duttweiler are adhered to.

## Compliance

The FMC Board of Directors has overall responsibility for corporate compliance. In this respect, the **integrity of employees** is paramount. Migros expects all of its employees to take responsibility for their actions, to show consideration for people, society and the environment, to follow rules and to report any breaches.

The **central compliance organisation** is allocated to the FMC Legal & Compliance Directorate as a staff unit of the FMC Chief Executive Officer. It has direct, independent access to the Chairman of the Board of Directors. A quarterly report is submitted to the Executive Board and the Audit Committee of the Board of Directors on compliance incidents as well as on the implementation status of the compliance measures.

The central compliance organisation has direct, independent access to the Chairman of the Board of Directors.

---

Migros is committed to acting responsibly and within the law as well as fighting corruption in any form. This commitment, which reflects the principles of the UN Global Compact and is laid down in the Migros Group's Code of Conduct, formed the basis for **intensifying the company's compliance activities** in the year under review. The main focus was on the implementation of internal training and awareness measures in the core areas of anti-trust law and corruption prevention, on the introduction of internal guidelines to improve data protection, and on the handling of reports via the internal reporting office M-Concern. At the same time, the necessary interfaces to the existing risk management and internal control systems (ICS) were developed further.

## Risk management

Migros has introduced a **comprehensive risk management** concept across all companies of the Migros Group. The Board of Directors of the Federation of Migros Cooperatives has overall responsibility for risk management.

The Executive Board and the Board of Directors, as well as the boards of directors of the Migros companies, have identified and assessed the internal and external risks affecting the company and have documented these in risk reports. The risk reports are grouped according to strategic business unit and are checked and approved by the Executive Board and the FMC Board of Directors. The results of the risk assessment have been taken into consideration in the FMC Board of Director's annual review of business strategy.

## Internal auditing

The **Chairman of the Board of Directors** is responsible for internal auditing. It is managed and monitored by the Audit Committee.

The internal audit team performs **independent and objective auditing and consulting services** geared towards generating added value and improving business processes. It supports the Board of Directors and executives in achieving their objectives by means of a systematic and target-oriented approach to assessing and improving the effectiveness of risk management, controls (level 3) and governance (management and supervision processes).

The internal audit function is geared towards generating added value and improving business processes.

---

The internal audit team also performs procedures to obtain audit evidence and provides the auditor with assurance that the financial statements have been presented properly and in accordance with the applicable accounting standards.

The findings and key points are presented to the Audit Committee and the Board of Directors each quarter. The internal audit of the Federation of Migros Cooperatives is conducted by **Mitreva Interne Revision AG**.

## G. and A. Duttweiler Foundation

The purpose of the independent G. and A. Duttweiler Foundation is to **preserve the ideas of Migros' founder**. It also monitors adherence to the statutes and covenants of Migros and approves the salary bands for Migros' management as well as the mandate fees for the members of the FMC Board of Directors.

The G. and A. Duttweiler Foundation was established in 1950 by Gottlieb and Adele Duttweiler to ensure that their ideas, as laid down in various scripts, would live on after their deaths. Since the statutes permit the Foundation to take part in the FMC's Assembly of Delegates, **it can put forward its views on transactions and proposals**. In addition, the Chairman of the Foundation Council can also put forward the Foundation's views at FMC Board meetings. The Foundation members are also regular participants at other official events of Migros committees, such as the meeting of the Cooperative Councils and Delegates.

In the year under review, the Foundation approved **the adjustment of the salary bands for the members of the Executive Board** and Migros' senior management.

1950

The Foundation Council wants to embed the founders' ideas even more firmly within the company. In addition to publishing information about the Foundation on the official Migros website, a **publication** in the form of frequently asked questions about the ideas of Gottlieb Duttweiler was composed. This was distributed to all Migros companies in spring 2015 with the aim of spreading and clarifying the ideas.

In addition, the Foundation convened with the various organs of the FMC in order to exchange information and share any concerns regarding adherence to Migros' values.

The Foundation Council includes the following seven independent members:

- Peter Birrer (Chairman)
- Claudius Alder
- Hans-Ulrich Frei
- Charlotte Hug-Burnod
- Elena Mattle-Andreoli
- Markus Mosele
- Michel Renevey

---

was the year in which the G. and A. Duttweiler Foundation was established.