

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

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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.

M+INDUSTRIE							
Meat, fish, poultry	Dairy products, cheese	Bread and baked goods, pasta, ice cream	Chocolate, coffee, chewing gum, rice	Convenience products, beverages	Cosmetics, detergents	Wholesale	Commercial structures



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

Net revenue, million CHF	6,255
Number of employees	13,113
Number of apprentices	526
Investments in the Swiss workplace, million CHF	200





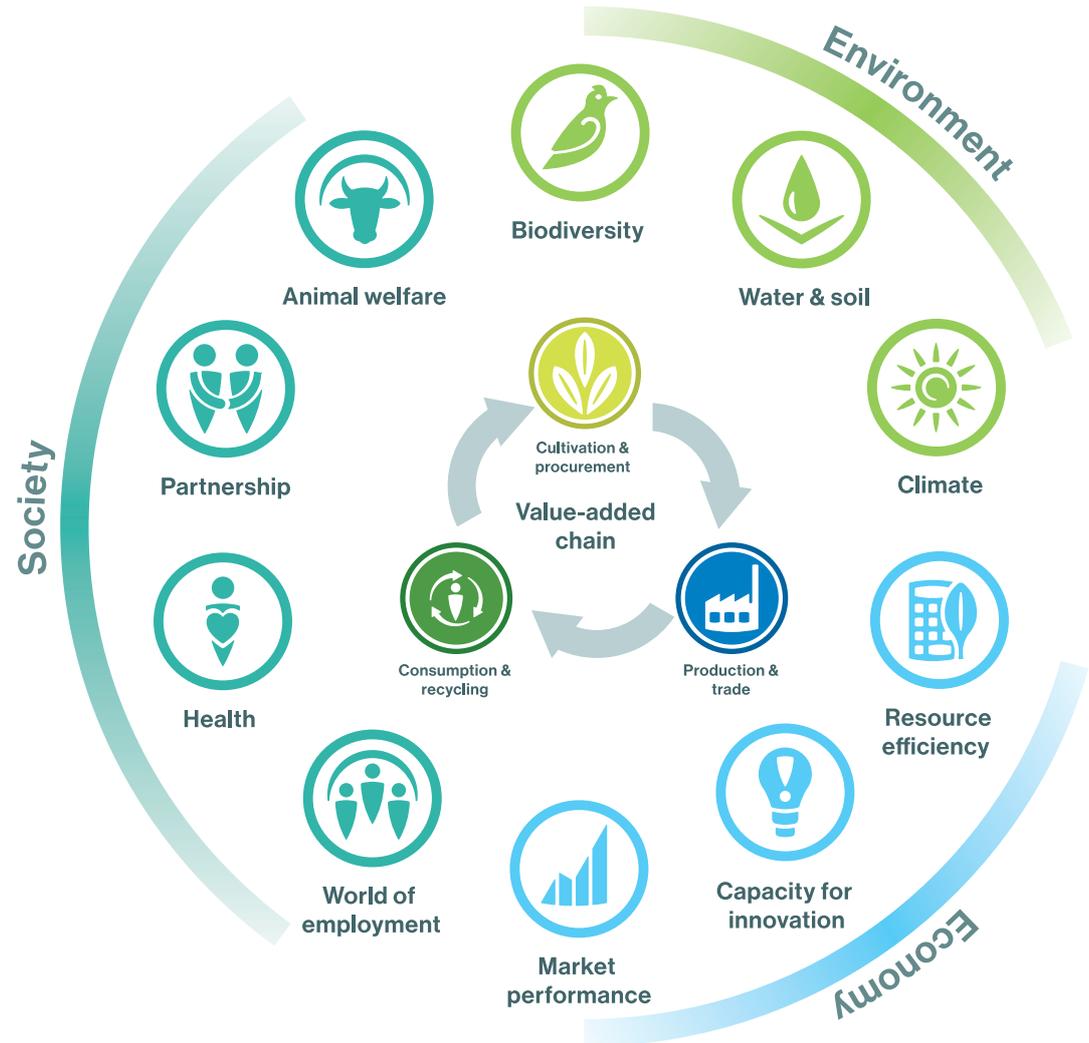
Closed ecological cycles

Responsibility along the value-added chain

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.

**Sustainable
raw materials**

100%

Recycling

**Renewable
energy**





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

Status of achievement of objectives 2020*

not on track on track

Introduction of a sustainability evaluation at the agricultural operations level



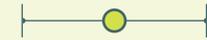
Arrangement of a long-term partnership between M-Industry and IP-Suisse



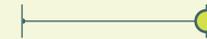
Grass-based feed for cattle



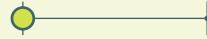
No water-intensive raw materials from water-scarce regions



All producers from BSCI risk countries are integrated in the social compliance process (e.g. fair working conditions, no child labor)



No increase in airplane transport



Introduction of the high Swiss animal welfare standards with our foreign suppliers



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



80% of cocoa beans are UTZ certified



90% of coffee is UTZ certified



* 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)

**Reduced soil and
water need**

by using recycled water

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



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.

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

Status of achievement of objectives 2020*

not on track on track

10% reduction of specific** electricity consumption



20% reduction of specific** heat consumption



10% reduction of specific** water consumption


 20% fewer CO₂ emissions caused by heat consumption


500 apprentices



All sites meet the requirements of "Friendly Work Space"



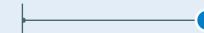
Create 13 new qualified part-time positions per year



At least 60% of vacant managerial positions are filled by junior staff from the Migros Group



Certification to ISO 14001



Natural landscaping on company premises


 50% reduction of CO₂ from refrigerants


107% increase in energy efficiency



Culture of innovation is reviewed and strategically promoted



* Rating is based on measurement of the achievement of the ambitious objectives. An objective can therefore receive a rating of "not on track" in spite of many measures having been achieved.

** 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).



275 MWh
of electricity saved
each year at Mifa

This corresponds to the
annual electricity
consumption of nearly
50 households.



35 %

less electricity
consumption for
Aproz's lighting

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%



300 tonnes
fewer CO₂ emissions
at CCA

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.





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.



526
apprentices

+26%
compared
to 2011

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 peels) are used as animal feed.

82%
of generated waste recycled

235,387
tonnes of label products sold



Overview of the most important objectives

Vision 2040	Objective 2020	Status of achievement of objectives 2020*	
		not on track	on track
<h1>100%</h1> <p>recycling</p>	2% more revenue with sustainable products (e.g. organic, TerraSuisse, UTZ, ASC, MSC) per year		●
	80% total recycling		●
	100% recycling of all organic material		●
	15% less specific** food waste	●	
	5% less specific** waste	●	
	10% less specific** packaging material	●	
	10% more recycled material in packaging	●	
	10% more renewable raw materials in packaging	●	
	90% of products in relevant product groups are based on economically recognized guidelines for nutritional composition		●

* 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.

** 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.



197
tonnes

of recycled
PET were
used by Mifa.

**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.



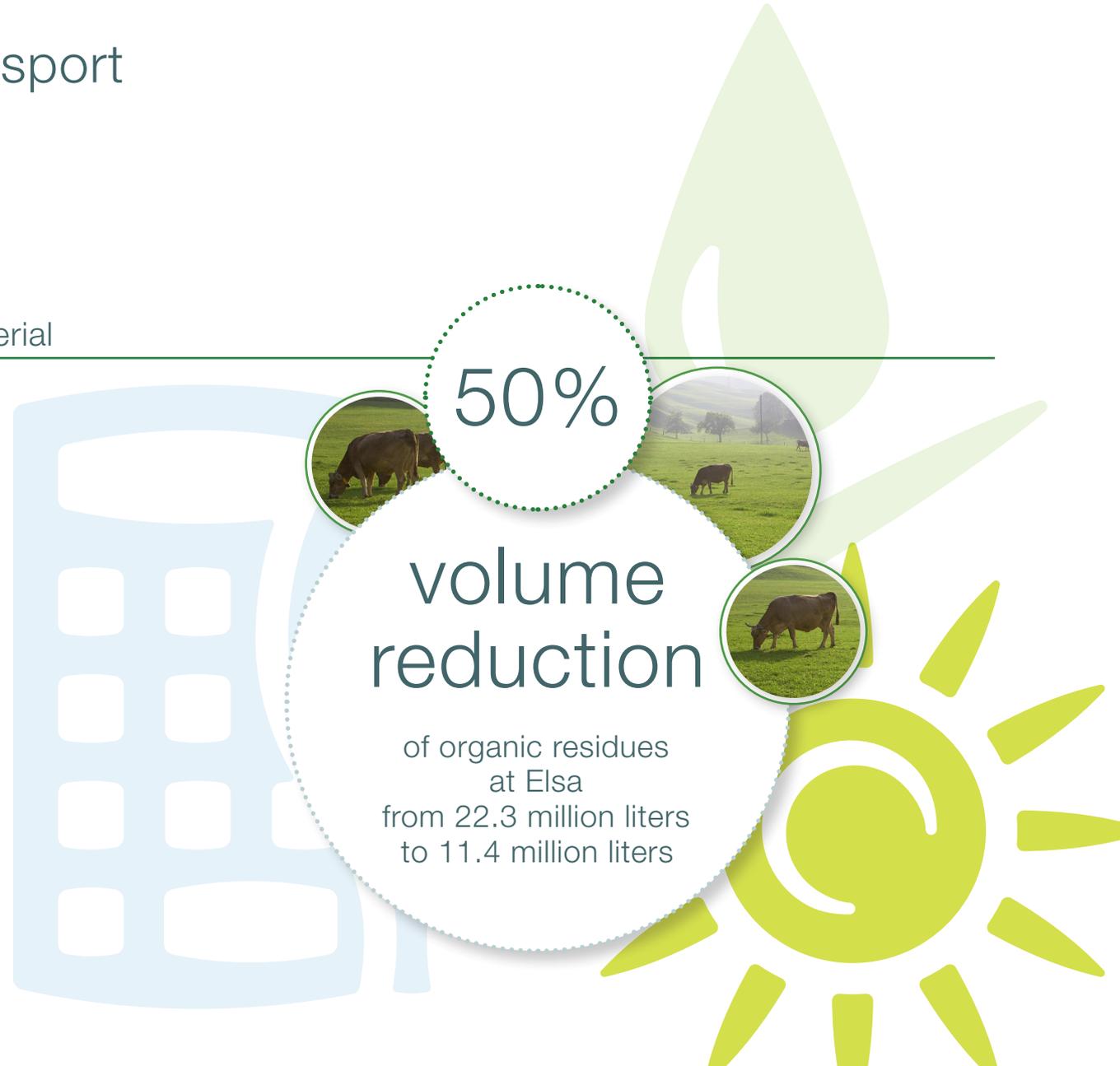
Reduction of the transport of organic residues

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.





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



85%

of yogurt formulations
at Elsa fulfill the Gold
Standard guidelines.

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.

