

Governance

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 operation of a compliance system.

Compliance

The Board of Directors of the Federation of Migros Cooperatives has overall responsibility for compliance.

Migros has a **central compliance function** that is allocated to the FMC Legal & Compliance Directorate as a staff unit of the FMC Chief Executive Officer. It has direct access to the Chairman of the Board of Directors at all times. A quarterly report is submitted to the Executive Board and the Audit Committee of the Board of Directors on compliance activities, the implementation status of the Group-wide Migros compliance management system and relevant compliance incidents.

Migros has a code of conduct that applies to all employees of the Migros Group.

In line with its strategy and the principles of the UN Global Compact, Migros is committed to acting responsibly and within the law, and to fighting corruption in any form. Its compliance system is therefore based on a **code of conduct** that applies to all employees of the Migros Group companies.

The eleven principles contained in it are consolidated by various internal guidelines. For the companies of the Migros Group, the guidelines on prevention of corruption, on conflicts of interest, on adherence to competition and cartel law, and on compliance with data protection provisions are the **minimum requirements of the compliance system** and training is provided on a regular basis, tailored to the different target groups.

In this respect, the **integrity of employees** is paramount. Migros expects all its employees to take responsibility for their actions, to show consideration for people, society and the environment, to observe laws and rules and to report any breaches to the relevant internal reporting office.

In addition, employees of companies of the Migros Group in Switzerland also have access to the web-based, internal **advisory office M-Concern**. Incidents can be reported to it anonymously. A structured procedure is in place for dealing with reported grievances.

Risk management

Migros implements a comprehensive risk management system across all companies of the Migros Group. The **FMC Board of Directors** is responsible for its content. It defines the general framework for the risk management activities within the Migros Group and ensures that risks are assessed on time and in the appropriate manner.

The FMC Board of Directors is regularly informed about the risk situation of the Migros Group companies and the strategic business units by the Executive Board. Based on this information, it assesses the impact of the material risks on the strategic business units and then makes a decision on **further measures**.

Internal auditing also provides a **monitoring and control function**. As it operates independently of operational activities, it is able to identify any weaknesses in the risk management system and the internal control system, and to take measures to improve the effectiveness and efficiency of the monitoring and control processes.

The risk management process is integrated in the **annual strategy and financial planning process**. The results of the risk assessment are appropriately considered during the annual analysis of the corporate strategy.

Internal auditing

Mitreva AG, an independent subsidiary of the Federation of Migros Cooperatives, has been appointed as the internal auditor of the Migros Community by the FMC Audit Committee and the boards of directors of the regional Migros Cooperatives. Its Board of Directors consists of independent experts.

Mitreva helps the strategic business units (the entire Migros Community) to achieve their objectives by ensuring an **independent approach** to the assessment, improvement and effectiveness of internal control processes. It creates reports on the audits it conducts, and reports any actual or suspected non-conformities to the Audit Committee, the CEO and the regional boards of directors.

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

The Chairman of the Board of Directors is responsible for internal auditing, which is managed and monitored by the Audit Committee. The internal auditor reviews the audit plan approved by the committee. These auditing services are geared towards generating added value and **optimising business processes**. It supports the boards of directors and executives in achieving their objectives by assessing and improving the effectiveness of risk management, controls (level 3) and governance (management and supervision processes) through a systematic and focused approach.

The internal audit function also performs **procedures to obtain audit evidence** and thus supports the auditor in ensuring proper financial reporting in accordance with the applicable accounting standards.

The findings and key points are **presented quarterly** to the Audit Committee and the Board of Directors; the Audit Committee regularly reviews the audit plans, the scope of the internal audit, the fees and the results.

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 at Migros and approves the salary bands for Migros' management and the mandate remuneration of 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, which are recorded in various writings, would live on after their death. Since the statutes permit the Foundation to take part in the FMC's Assembly of Delegates, it is able to put forward its views on transactions and proposals in the meetings. In addition, the Chairman of the Foundation Council is **invited to meetings of the FMC Board of Directors** and is able to present the Foundation's position. 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 reporting year, the Foundation convened with the various organs of the FMC in order to exchange information and voice its **concerns on adherence to Migros' values**. The Foundation Council wants to embed the founders' ideas even more firmly within the company.

The Foundation Council includes the following seven independent members:

- Peter Birrer (Chairman)
- Claudius Alder (until 31.12.2018)
- Christian Biland
- Marcelle Junod
- Elena Mattle-Andreoli
- Markus Mosele
- Michel Renevey