

Your personal copy

M19 - Migros Annual Report 2019

Migros at a glance

Vision, Mission & Strategy

Migros is recognized by its customers, employees and the public as the leading company for improving the quality of life. Our vision: Live better every day.

Migros covers the needs of everyday life with its consumer and service products. In doing so, it directs its offering to all strata of the population and their specific needs for quality of life.

Our strategy

The strategy provides the framework for the orientation of the strategic business areas of Migros Group. It is drawn up by the General Management on behalf of the MGB Administration and approved by the latter. The goals, values and management principles are binding for the entire Migros Group.

Migros' strategic business areas and business units act as independently as possible from an entrepreneurial point of view. They are given clear targets and roles, and potential synergies are exploited.

Strategic initiatives help unlock value-added potential that can only be realized through a joint, integrating effort.

Our goals

- In Swiss retailing, we aim to remain the undisputed market leader. In the other business units, we claim a leading role in the respective market segment.

In the tradition of Gottlieb Duttweiler, we are committed to providing the best price-performance ratio for our customers.

We are committed to the best price-performance ratio for our clientele.

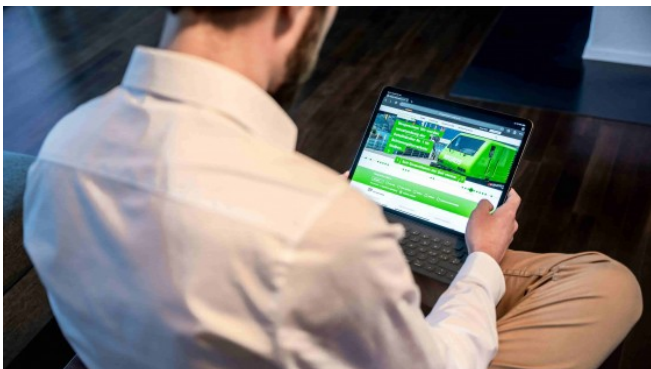
It is an advantage for us that we have large parts of the value chain under our own control in the Cooperative Retailing business. In this sense, we operate both industrial, logistics and retail businesses in the Group.

The company's own industrial companies fulfill a dual role: the development and production of innovative own brands with good Swiss quality at fair prices, and sales to third parties in Switzerland and abroad.

International purchasing makes it possible to procure products at fair prices, taking ethical and ecological principles into account.

- We are specifically seeking growth abroad with the intention of thereby also strengthening the existing business areas and Migros Group.
- We aim to achieve additional growth through the expansion of digital business models (no-line) and the transformation of over-the-counter retail.
- Overall for Migros Group, we are aiming for profitable growth.

Our promises



To our customers

Migros is the Swiss company that is passionate about the quality of life of its customers.



To our employees

As an exemplary employer, we create the conditions for our employees to enjoy a motivating and performance-oriented working environment that attracts the best people.



To our cooperative members

We are committed to creating value that will ensure Migros' long-term and independent continued existence.

To our suppliers

Based on the free market economy and competition on performance, we strive for direct cooperation with our suppliers. We continuously improve products and services, promote public health and well-being, and also set ecological and social standards for working and production conditions.

To the company

We promote the free, autonomous development of the individual. The Migros Culture Percentage provides access to culture and education for a broad population and enables people to participate in the cultural, social and economic changes in society. We conduct our core business in a socially responsible manner that conserves resources. In addition, we create unique added value for people, animals and the environment thanks to pioneering achievements. The Engagement Migros Promotion Fund promotes pioneering projects in the thematic area of social change.

Environment & Engagement

Value added statement

Migros Group's value added statement in the retail and industrial business shows the added value created by the Group for society.

In doing so, the Group pursues the goal of creating sustainable added value by aiming to secure Group companies and thus jobs as well as services to the public sector by managing the available funds with a view to the future.

Net value added

CHF m6'855

To the key figures in detail

Usage in CHF million	Commercial and Industrial Business ^[1]	
	2019	2018
to employees	5'862	5'841
to culture/social affairs (cultural percentage)	118	120
to lenders	33	36
to public authorities:	715	981
↳ Taxes	-191	80
↳ Value added taxes (net)	194	193
↳ Duties/fees/charges	712	708

Usage
in CHF million

2019 2018

to company (self-financing)	126	322
Net value added	6'855	7'300

¹Unaudited; prior to consolidation of relationships between the two subsectors.

With a share of 85.5%, the largest part of the value added goes to the employees. Personnel expenses increased by 0.4% compared to the previous year, which is due to the wage increase granted in Migros Group of between 0.5% and 1.0% as well as to changes in the scope of consolidation - acquisitions and, conversely, disposals of companies. The Retail and Industry sector employs 105,103 people¹⁰⁴ 536 (previous year: 105,103).

The services provided as part of the Migros Culture Percentage, a voluntary commitment by Migros in the areas of culture, society, education, leisure and business, amount to 1.7% (previous year 1.6%) of value added and thus enable a broad population to access cultural and social services.

Interest of 0.5% was paid to creditors and lenders in the reporting year. The unchanged solid financial situation of the Group as well as the continuing low interest rate level do not cause any significant change compared to the previous year.

The public sector receives 10.4% (previous year 13.4%) through contributions to taxes, duties and fees. The public sector thus received lower contributions compared with the previous year, in particular due to lower taxes as a result of the adoption of the Federal Law on Tax Reform and AHV Financing of May 19.2019.

By consistently aligning the value chain to the dynamic development of the environment, the Group ensures the continuation of the company and the progress of innovation. Retaining an adequate profit serves this objective as well as safeguarding jobs and passing on services to customers in line with market conditions.

Migros in dialogue

As the largest retailer and private employer in Switzerland, Migros is in contact with numerous stakeholder groups. This exchange helps to identify and respond to social concerns at an early stage.

For Migros, stakeholder dialog is an important element in the definition of corporate goals and their implementation. It is an expression of corporate responsibility in practice, an open corporate culture and a far-sighted approach to social issues. The Generation M website provides information about Migros' most important memberships and partnerships.

Clients & Customers

Customers are one of Migros' largest stakeholder groups. In the cooperative retail sector, the company recorded around one million 443.5 customer contacts at the checkout in the year under review.

The company maintains a dialog with customers via various channels. For example, via the M-Infoline, where customers can share their opinions on products or concerns, as well as via the social media channels Facebook, Twitter and Instagram. The M-Infoline was 206'400 contacted over 2019 times and there were over 24,000 interactions with social media users. On the Migipedia community platform, customers were able to have their say on questions 12 about the product range and stores in the year under review.

Employees

Migros Group employed a total of employees 106'119 in 2019 Switzerland and abroad. It also trained 3,700 apprentices in over 50 professions in the retail, industry, logistics and services sectors.

Migros employees benefit from progressive and responsible working conditions, systematic occupational health management and, with the L-CLA, one of the best collective labor agreements in Switzerland.

Cooperative members

Migros counted more than 2.2 million cooperative members in the ten regional cooperatives. These are equal co-owners of their regional cooperative.

Members are regularly informed about the latest news in their regions via the Migros media (Migros Magazine, Migros Magazine, Azione) and the cooperative councils. Migros also reaches a broad readership via its website.

Business partner

High quality and safety standards are important to Migros. In addition, its products should be produced under socially acceptable, safe working conditions and come from ecologically sustainable sources. It works closely with suppliers and manufacturers at home and abroad to implement these requirements. For example, Migros has been selling chicken meat from Brazilian suppliers that is produced in accordance with Swiss animal welfare regulations.

Economic policy

Migros actively participates in political dialog on economic, agricultural, consumer, environmental and nutritional issues. The Economic Policy Directorate represents the interests of Migros Group and consumers vis-à-vis the authorities, political parties and organizations. In addition, it is committed to the concerns of consumers and to good framework conditions for Swiss retailers within the framework of the Swiss Retail Trade Interest Group.

In 2019, Migros committed itself to a counter-proposal to the Corporate Responsibility Initiative and to a counter-project to the Drinking Water and Pesticides Initiative. Migros believes that both initiatives address important concerns of the population, but go a bit too far.

Non-governmental organizations

Migros is in regular exchange with numerous non-governmental organizations (NGOs). Its aim is to maintain an open dialog, to identify at an early stage the issues that concern the organizations, and to incorporate ideas. In addition, it cooperates with NGOs on projects and topics.

2019 the topics of plastic packaging and products again received a great deal of attention in the media and from some NGOs. In this context, Migros met with Greenpeace and media representatives for talks and discussed possible measures to reduce plastic.

Media professionals

As Switzerland's largest retailer, Migros is a sought-after interlocutor for the media. 2019It announced its annual results at the annual media conference in March26.2018; M-Industry communicated its financial statements at an annual media breakfast.

In the year under review, the media office of the Federation of Migros Cooperatives (MGB) received around 7,300 inquiries from media representatives, including on the topics of plastics and climate change, which are of great concern to the population.

Science

Migros maintains a close exchange with universities, technical colleges and other research institutions. In 2019, for example, it collaborated with the Research Institute of Organic Agriculture (FiBL) to investigate aeration methods for organic basil that can reduce powdery mildew infestation and thus save on pesticides.

Through the cooperation with the consulting firm FehrAdvice & Partners AG, it was possible to realize a behavioral economic study that shows which factors influence consumer behavior in the area of plastics.

Sustainability management

Sustainability is part of the Migros culture and an integral component of the company's activities. Since 2019, Migros Group has been bundling and managing its sustainability activities in a group-wide strategy framework.

The values of responsibility and credibility are part of the Migros Group strategy. The implementation of the economic, social and ecological goals takes place along the entire value chain.

Migros Group has a comprehensive understanding of sustainability. It offers a wide range of sustainable products and services, is a partner for a healthy lifestyle and an exemplary employer, sets standards in climate protection and resource efficiency, and promotes social interaction.

Mission Statement Sustainability Migros Group

2019 Migros Group has for the first time developed a sustainability mission statement that applies to all companies. It combines a sustainability vision and mission, group-wide profiling topics, and the Migros Group Sustainability Requirements (formerly Basic Requirements) under one roof.

The mission statement embeds the sustainability strategies of the business units as well as the individual sustainability goals of the companies in a Group-wide, overarching framework. It pursues the vision "We make life more sustainable" and focuses on a sustainable product range, climate protection, closing the loop, and promoting social cohesion.



Group requirements

All Migros Group companies are required to implement a set of minimum social and environmental requirements, the so-called Migros Group Requirements Sustainability (formerly Basic Requirements). In the reporting year, the Migros Group Requirements were revised and concretized.

The Migros15 Group requirements for suppliers and assortment include, for example, labor standards in the supply chain, specifications on animal welfare and the protection of global fish stocks and tropical forests. There are new requirements for operational environmental protection in the supply chain, a peat ban, and a fur and mulesing ban. In the latter, the skin of Merino sheep is removed around the tail without the use of painkillers.

The Migros Group requirements for operational environmental protection include active and risk-based management of waste, electricity, heat and refrigerants. In addition, all companies must offset their business flights, travel by public transport as a matter of priority, and comply with procurement principles on climate-friendly passenger vehicles.

Cooperative retail trade

Migros successfully completed the two pledges "WWF environmental education" and "Free starts for children at running events" in 2019. The pledges originate from the Generation M sustainability program, with which the cooperative retail trade transparently communicates concrete and measurable sustainability goals.

Generation M is part of the long-term sustainability strategy of the Cooperative Retail Trade, which was revised in the reporting year in coordination with the Migros Group sustainability mission statement. Individual sustainability targets were defined in this context. Measures are to continue to be taken to achieve ecological and social improvements in as many products as possible. To this end, Migros has analyzed the negative impact of the most important raw materials across the entire value chain and, on this basis, defined requirements for cultivation and processing. In addition, the topics of climate protection, water, biodiversity, and closing the loop are to be increasingly addressed.

M-Industry

In the reporting year, the Group certificate for M-Industry's sustainability management in accordance with ISO 14001 was confirmed. The uniform management and control system enables M-Industry to work systematically to optimize sustainability performance, minimize environmental impact and comply with environmental legislation requirements.

2019 eight sites achieved initial ISO certification This14001. brings the total number of M-Industry companies certified to 201919 at the end of the year. The ISO 14001 certification of all companies up to is part 2020of M-Industry's sustainability strategy, which comprises more than forty goals in the areas of environment, economy and society.

Sustainable Development Goals (SDG)

The Sustainable Development Goals (SDGs) adopted by the 2015 UN include targets 17 as a framework for global sustainable development. With its commitment, Migros Group makes an important contribution to the implementation of these global sustainability goals along the entire value chain.

2019 Migros Group has analyzed its positive and negative impact on global development. The UN's Sustainable Development Goals (SDGs) have been incorporated into the development of the Migros Group sustainability mission statement. Comprehensive information on Migros Group's contribution to the SDGs can be found [here](#).

Regular progress check

Migros Group is once again the world's most sustainable retailer.

In order to control the achievement of objectives, Migros measures its progress in the area of sustainability by means of strategic key figures. As part of regular controlling, the implementation status of the Migros Group requirements and the individual goals in the strategic business areas is reviewed centrally at the Federation of Migros Cooperatives (MGB). Progress, including the use of traffic lights, is reported to internal decision-makers and in some cases published publicly.

2019 the independent rating agency ISS-oekom analyzed the social and ecological commitment of the Migros Group in detail. Of the retail companies surveyed 243 worldwide, Migros Group achieved the best result in the industry. This makes it once again the world's most sustainable retailer in the year under review.