

Sustainability

SUSTAINABILITY

The world around us is changing at an ever faster pace, the environmental challenges are becoming ever bigger, and Valora's customers are growing increasingly aware of the working conditions underlying the products. Valora is facing these challenges head-on. Its stakeholders rightly expect Valora to contribute to sustainable development as a responsible company.

Sustainability Report

The growing world population, an ever bigger global middle class, urbanisation, climate change and the multiplier effect of digitalisation – these megatrends not only affect Valora directly, but also have an impact on its customers, employees and value chain. They harbour opportunities as well as challenges and increase the urgency for Valora to intensify its own sustainability agenda. The statutory provisions serve as the minimum standard for Valora. A responsible company looks after its employees, protects the environment, manufactures excellent products that outstrip the expectations of its customers, and in the process generates a return for its shareholders.

“Sustainability is a permanent and important component of Valora’s strategy. The company is not yet where it wants

to be in every aspect, but we are constantly making progress. And we are doing everything in our power to meet our aspirations for ourselves. We owe this to our stakeholders and the environment,” says Franz Julen, Chairman of the Board of Directors.

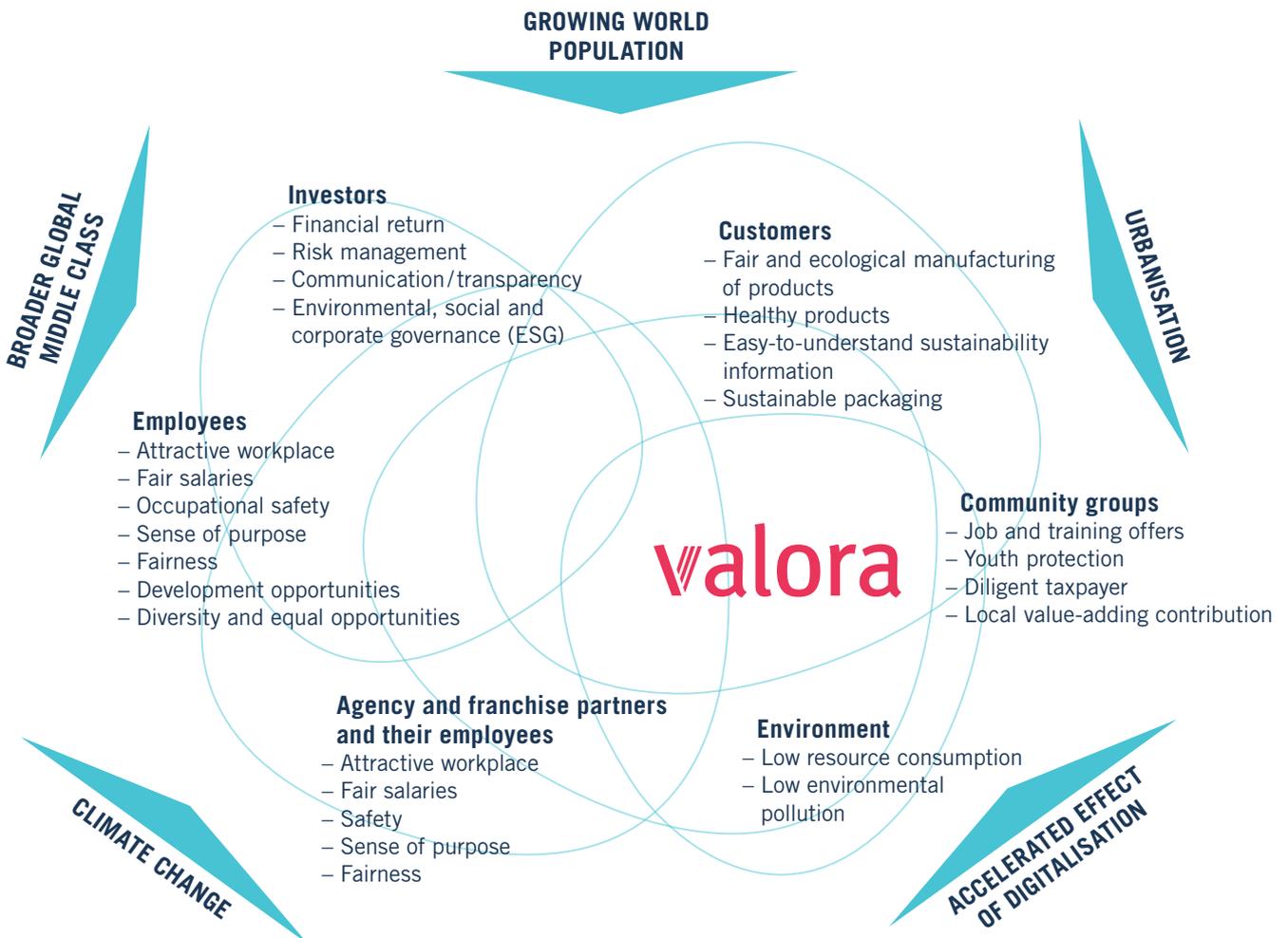
Valora wants to assume this responsibility and live up to the challenges. A working group was set up in 2018 to develop a systematic strategy based on as well as extending beyond the existing sustainability measures. The working group consists of members of the Board of Directors, the CEO and management. They identified the connections between the aforementioned megatrends, the company’s own business activities and the trends affecting the business sector. The 17 Sustainable Development

Goals (SDGs) of the United Nations were also consulted in order to identify additional areas where Valora can potentially make a contribution to sustainable development.

Last year, the corporate strategy was already streamlined to meet Valora’s vision of offering the best food and convenience concepts. In addition to growth, efficiency, a performance-oriented culture and innovation, the strengthening of the sustainability commitment as a responsible contribution to humanity and the environment is one of our five material strategic ambitions.

STAKEHOLDERS AND EXPECTATIONS

The further development of the sustainability strategy will be aligned to the expectations of Valora’s stakeholders. The following graph identifies the most important stakeholders and their expectations.



STRATEGY: THE 3 P

Stakeholder expectations show: Valora's commitment to sustainability is not only good for humanity and the planet, it is also a strategic requirement. Business success will be even more dependent on social and environmental sustainability in the future. Valora's customers increasingly want to know where the products are coming from. Who made them, were human rights respected and was the impact on the environment minimised? Valora wishes to honour these requirements and to offer sustainable products in line with its maxim "We brighten up our customers' day. Wherever people are on the move." The Board of Directors expects sustainability to become an integral part of Valora's business activities and a strategic management pillar.

Valora squares profitable growth with sustainable growth by adjusting its operational processes, procedures and products while always keeping an eye on the people. This gives rise to the three pillars People – Planet – Products, which will in future provide the structure for Valora's sustainability management process. A dedicated claim explains the aspiration asserted by each of these pillars.

These three pillars will not only be used for the further development of the strategy, but also provide the structure for the following pages. This year the focus falls on the People pillar. Our reporting will be expanded further in the coming years, in particular with regard to the Planet and Products pillars.

PEOPLE
– WE WANT TO
BE A GREAT
PLACE TO WORK

PLANET
– WE WANT TO
BE A CONVENIENCE
BUSINESS THAT
DOESN'T COST
THE EARTH

PRODUCTS
– WE WANT TO
MAKE AND SELL
MORE HEALTHY
AND SUSTAINABLE
FOOD

CODE OF CONDUCT

Valora is not only measured by its business performance, but increasingly also by the way and principles by which it generates its profits. Business success and ethical conduct are not contradictory principles. Rather, they are essential conditions for Valora's sustainable corporate development. The key figures and expectations in this regard are set out in Valora's Code of Conduct, the updated version of which entered into force on 1 January 2019. New sections were added on the protection of property, mutual respect and data privacy. Another new section introduces Valora's values: "open", "trustworthy", "passionate" and "for and with one another". The organisation will implement the new Code of Conduct with an e-learning module in 2019.

In addition, a revised Code of Conduct for Business Partners will replace the current Supplier Code in 2019. This will expand the scope of application from suppliers to all business partners. The new Code also includes sections on data privacy, free competition, conflicts of interest, protection of business secrets and compliance with anti-money laundering legislation.

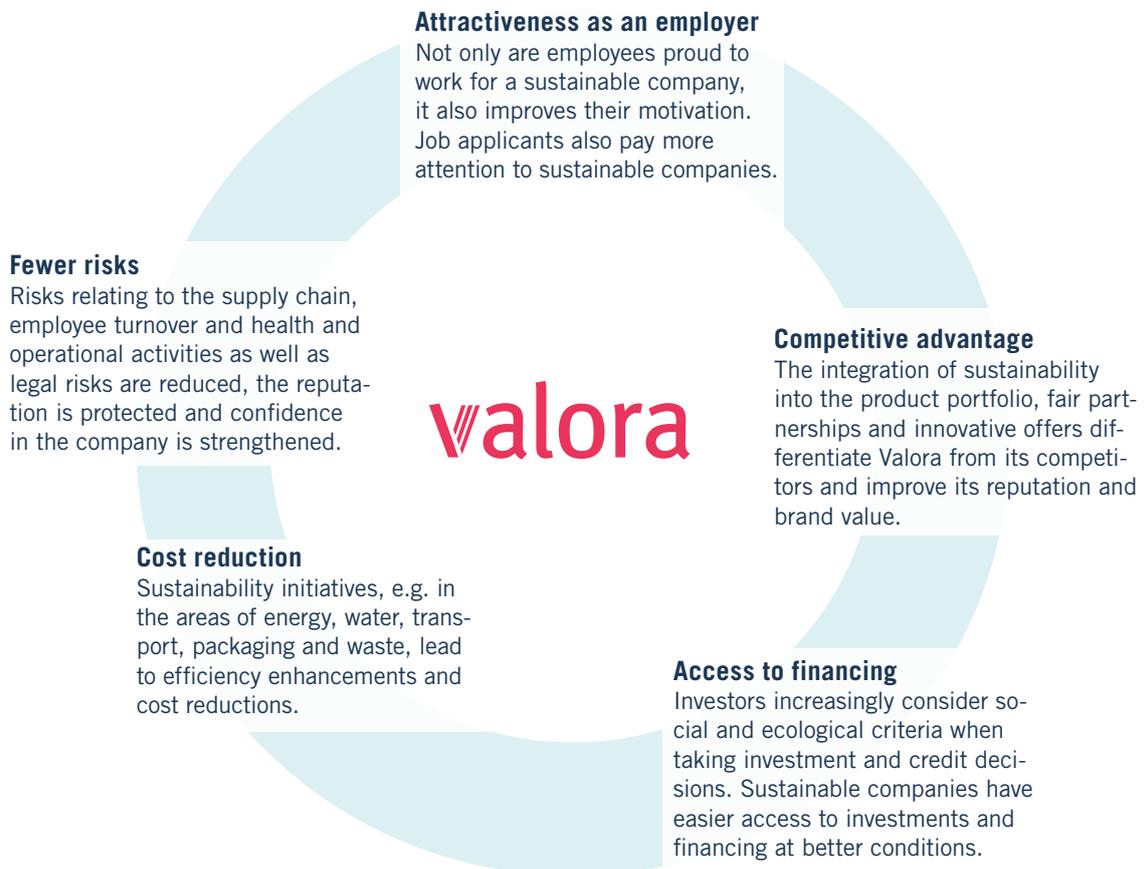
Since 1 January 2019, Valora's employees and business partners can contact the Valora Integrity Line to report violations or suspected violations. This platform provides all Valora employees with a simpler and more user-friendly option for reporting irregularities in the company, such as theft, infringements of labour law or other suspicions easily, anonymously and online. The platform can be accessed around the clock via smartphone, tablet and PC. The Integrity Line replaces the Ethics Hotline, which has been in operation since 2011.

With the updated Code of Conduct, the Code of Conduct for Business Partners and the Integrity Line, Valora has laid the foundation for all other sustainability measures.

Valora's Code of Conduct and Integrity Line can be accessed by the public on the website.

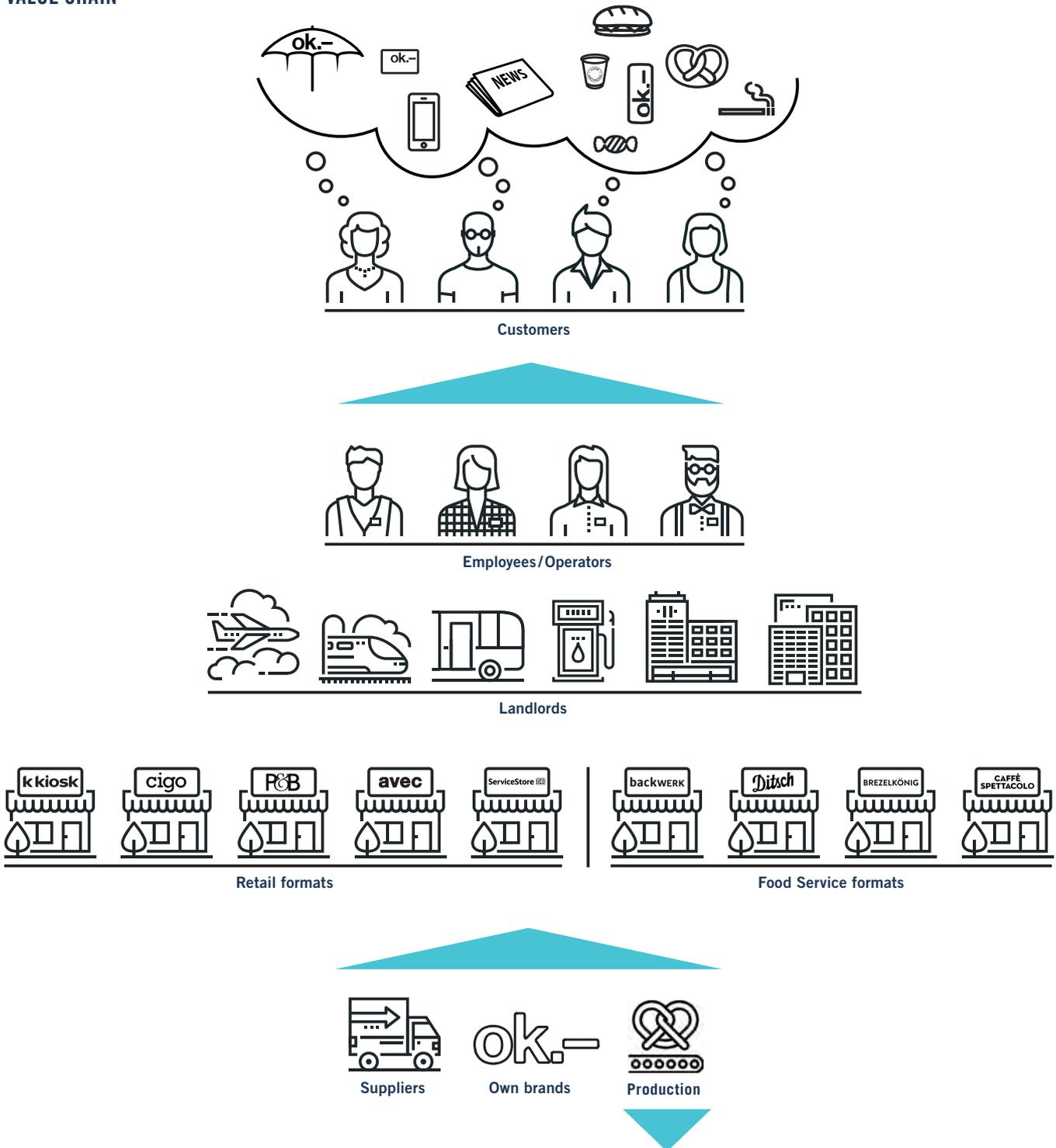
Sustainability Report

VALUE OF SUSTAINABILITY FOR VALORA



Sustainability is not only good for people and the planet. Valora benefits with regard to its employees, competition and investors. Valora also reduces its costs and risks through sustainable business practices. This means that Valora's commitment to sustainability is a strategic requirement.

VALUE CHAIN



Valora's evolution into a focused retailer has simplified its value chain. Supplier products, our own brands and our own production output are sold to other companies (B2B) as well as to consumers (B2C). Customer sales are channelled through dif-

ferent formats, whereby the sales outlets are operated by Valora employees as well as franchise and agency partners. They brighten up their customers' day, at airports, railway stations and central urban locations.

Sustainability Report

PEOPLE – WE WANT TO BE A GREAT PLACE TO WORK

Valora's employees play a decisive role in the company's success. It is therefore all the more important for Valora to build an inclusive culture defined by fairness and equal opportunities. Employees should also benefit from responsible working conditions and salaries that are customary in this economic sector. They should be able to work at Valora in an environment in which people from different backgrounds feel respected and all employees have the opportunity to develop to their fullest potential. Valora appreciates the individual talents, experiences and views of its employees and considers these to be the basis for its success. In 2018, some

15 000 people worked for Valora and its franchise and agency partners. Of these, 5 304 (4 230 full-time equivalents) worked directly for the Valora Group, while the rest were employed by franchise and agency partners. Valora works in five areas on behalf of its own employees and employees of its franchise and agency partners:

- Diversity, inclusion and equality of treatment
- Fair salaries and working conditions
- Health, safety and wellbeing at the workplace
- Talent promotion and careers
- Fair partnerships

Employees

| | Group | |
|------------------------------|-------|-------|
| | 2018 | 2017 |
| Employees | 5 304 | 5 406 |
| of which Food Service* | 1 291 | 1 225 |
| of which Retail* | 3 837 | 4 013 |
| of which Shared Services* | 176 | 168 |
| Full-time equivalents | 4 230 | 4 265 |
| of which Food Service* | 1 150 | 1 079 |
| of which Retail* | 2 916 | 3 032 |
| of which Shared Services* | 164 | 154 |

*Food Service comprises Caffè Spettacolo, BackWerk, Brezelkönig and Ditsch. Shared Services include the Corporate and Finance functions. Retail comprises Valora Retail Switzerland and Valora Retail Germany (incl. Luxembourg and Austria).

Sustainability Report

DIVERSITY

Valora and its employees benefit equally from fair treatment and equal opportunities. Diversity is helpful at all levels. It promotes performance and innovation capacity and contributes to the successful introduction of new formats and products. This is why Valora supports an inclusive culture where each and everyone is recognised for their unique contribution and is allowed to realise their own ideas. Valora does not tolerate any discrimination based on personal background.

Women account for 70% of Valora’s workforce. Two-thirds of them work part-time, while around one-third of the men work part-time. The age distribution is very balanced, whereby the Food Service employees are younger than the Retail employees.

Valora plans to survey and analyse additional diversity criteria across the different hierarchical levels in the future. On this basis, Valora will in future approach the topics of inclusion and equal opportunities more systematically.

Diversity at Valora

| | Group | | Food Service | | Retail | | Shared Services | |
|---|--------------|------|--------------|------|--------------|------|-----------------|------|
| Employees | 5 304 | | 1 291 | | 3 837 | | 176 | |
| Share of women | 3 687 | 70 % | 719 | 56 % | 2 913 | 76 % | 55 | 31 % |
| of which work 0 to 50 % of regular working hours | 821 | 22 % | 105 | 15 % | 714 | 24 % | 2 | 4 % |
| of which work 50 to 79 % of regular working hours | 1 228 | 34 % | 89 | 12 % | 1 129 | 39 % | 10 | 18 % |
| of which work 80 to 99 % of regular working hours | 450 | 12 % | 71 | 10 % | 370 | 13 % | 9 | 16 % |
| of which work 100 % of regular working hours | 1 188 | 32 % | 454 | 63 % | 700 | 24 % | 34 | 62 % |
| Share of men | 1 617 | 30 % | 572 | 44 % | 924 | 24 % | 121 | 69 % |
| of which work 0 to 50 % of regular working hours | 164 | 10 % | 30 | 5 % | 134 | 15 % | 0 | 0 % |
| of which work 50 to 79 % of regular working hours | 275 | 17 % | 17 | 3 % | 257 | 28 % | 1 | 1 % |
| of which work 80 to 99 % of regular working hours | 125 | 8 % | 22 | 4 % | 95 | 10 % | 8 | 7 % |
| of which work 100 % of regular working hours | 1 053 | 65 % | 503 | 88 % | 438 | 47 % | 112 | 92 % |
| of which 30 or younger | 1 428 | 27 % | 373 | 29 % | 1 031 | 27 % | 24 | 14 % |
| of which 31 to 50 years | 2 279 | 43 % | 635 | 49 % | 1 545 | 40 % | 99 | 56 % |
| of which older than 50 | 1 597 | 30 % | 283 | 22 % | 1 261 | 33 % | 53 | 30 % |

*Food Service comprises Caffè Spettacolo, BackWerk, Brezelkönig and Ditsch. Shared Services include the Corporate and Finance functions. Retail comprises Valora Retail Switzerland and Valora Retail Germany (incl. Luxembourg and Austria).

VALORA WORKPLACE

More jobs for women



Many employees work part-time



Many women work part-time



Sustainability Report

FAIR SALARIES AND WORKING CONDITIONS

In order to meet their and their family's basic daily needs, employees should earn salaries that are customary to or in line with the market and benefit from modern and socially responsible working conditions. Because only satisfied employees are motivated to put Valora's maxim "We brighten up our customers' day. Wherever people are on the move." into practice.

The social partnership with the Swiss Association of Commercial Employees (kfmv) and the adopted Collective Labour Agreement (CLA) make an important contribution in this regard. The new Valora CLA for Switzerland entered into force on 1 January 2018. This implemented a salary increase for Valora employees in Switzerland of 1.8% on average. The kiosk and Press & Books agency partners undertake to pay their employees the CLA minimum salary. There is no collective labour agreement in Germany. Here, Valora bases its principles on the framework conditions of the applicable wage agreements.

Valora carries out regular employee surveys to identify employees' expectations and to formulate measures for improvement. Following unit-specific surveys in the previous years, Valora for the first time carried out a Group-wide employee survey in 2018. Around 2800 employees (52%) participated in the survey. The survey identified employees' expectations with regard to key improvements. In future, Valora wishes to improve employee commitment and satisfaction with additional measures. Employees expect more transparency and information from management in these times of digital change. As there is also a need to optimise some aspects of personnel development, a number of tools such as the recruitment process and the onboarding programme are in revision and an individual, job-focused induction programme is under development. The measures that are being implemented should have a positive effect and help to reduce the turnover rate (44%). According to the employee survey, other expectations differ greatly by unit and region.

Valora has already implemented measures to increase the rate of participation in future surveys. The survey process has been revised and employees at the sales outlets will in future be able to participate electronically in the survey.

Valora employees in Switzerland who are subject to a collective labour agreement

| | Employees | |
|--|-----------|-------|
| | 2018 | 2017 |
| All employees in Switzerland | 2 162 | 2 268 |
| of which CLA for Valora Switzerland | 1 369 | 1 743 |
| of which CLA for hotel and catering industry | 302 | 270 |
| of which CLA for service station shops | 247 | –* |
| of which CLA for bakers | 37 | 36 |
| Rest (based on Valora CLA) | 207 | 219 |

* The employees were subject to the CLA for Valora Switzerland in 2017.

Employee satisfaction

| | Scale of 1 to 100 | | |
|---------------------|---------------------------------|--|-------------|
| | up to 50 60 to 80 from 90 | little or no agreement medium agreement full agreement | Benchmark** |
| Commitment | 78 | 79 | 83 |
| Satisfaction | 66 | 68 | 75 |
| Attractive employer | 65 | 66 | 75 |

* Only a limited comparison is possible, as more employees were questioned in 2018.

** Swiss Employer Award in 2018 without sector-specific competitors.

Labour turnover rate*

| | 2018 | |
|---|---------------------|------------|
| | Number of employees | Percentage |
| Employees | 5 304 | |
| Departures | 2 772 | |
| Owing to notice of termination given by employee | 1 129 | 41 % |
| Owing to notice of termination given by employer | 738 | 27 % |
| Owing to switch to agency/franchise model | 424 | 15 % |
| Other reasons such as natural attrition due to retirement & death | 481 | 17 % |
| Labour turnover rate* | | 44 % |

* Departures owing to notice of termination given by the employee, notice given by the employer and other reasons as a ratio of the number of employees. Excluding departures owing to a switch to the agency/franchise model, as this only involves a change of employer.

Sustainability Report

HEALTH, SAFETY AND WELLBEING AT THE WORKPLACE

Valora does everything in its power to ensure that its employees can work in a safe and healthy environment where they can inspire their customers. It is not only a corporate obligation to ensure health, safety and wellbeing at the workplace, it also leads to lower injury and absence rates.

Valora therefore provides a safe, ergonomic and healthy work environment with attractive and modern workstations where employees remain physically and emotionally healthy, are satisfied with their work and have the energy to inspire their customers. To promote health and wellbeing, the business areas identify the risks relevant to health that need to be addressed and instigate the required measures.

In spite of all efforts, occupational accidents increased from 127 to 158 in the reporting year. Most accidents occurred at Valora's own sales outlets and its production facilities. To counter this trend, Valora will deploy more occupational health and safety inspectors and carry out regular inspections of all areas.

Wellbeing at BackWerk

For its 135 employees, BackWerk has its own company doctor who visits the sites at regular intervals and offers employees personal consultations and free preventive examinations. Regular visits to all sites by an occupational safety specialist also makes it possible to identify risks and implement the required measures. To promote the wellbeing of its employees, BackWerk offers courses such as fascia training, yoga and back therapy training and supplies them with adjustable height and ergonomic desks.

TALENT PROMOTION AND CAREERS

Not only the retail business but also society as a whole is in the grip of a rapid process of transformation. Digitalisation makes many things possible, but also gives rise to totally new needs and expectations among customers and employees. The present day has become much faster-paced and more complex. To enable employees to cope with these challenges, Valora supports their personal and skills development. They should have opportunities for advancement and the chance to fully exploit their potential at a workplace defined by commitment and cooperation. Valora therefore maintains a comprehensive programme of further education measures for its own employees as well as those of its franchise and agency partners.

For its own employees, for example, Valora offers a comprehensive programme including coaching, internal and paid external courses as well as the Valora Campus. Some 1500 employees made use of these offers in 2018. As Valora aims to develop the next generation of employees internally, it is training 74 apprentices, three more than in the previous year. Most of them work in administration or production, but the sales teams are also training 18 apprentices.

As part of its partnership programme, Valora offers its franchise and agency partners coaching sessions and seminars, which were attended by around 1600 partners in 2018.

E-learning programmes ensure an even wider reach. These focus on topics such as occupational safety, hygiene, money laundering and youth protection. More than 12107 modules were completed in 2018. Valora also for the first time offered a Group-wide training course on information security in 2018, which was taken 4785 times.

Occupational accidents

| | 2018 | 2017 |
|-------------------------------------|------|------|
| Total | 158 | 127 |
| of which Food Service | 50 | 13 |
| of which Retail and Shared Services | 108 | 114 |



Trainee programme (Switzerland)

Janine Sutter completed Valora's trainee programme and now works as Corporate Controller in Muttenz. She reports: "After completing my bachelor's degree in business economics in 2016, I worked in HR Development, Category Management and Group Controlling for one year as a management trainee. This allowed me to work on very different projects, which helped me enormously in my development. During challenging stints at the sales outlets of k kiosk, avec and Caffè Spettacolo, I developed a better understanding of the challenges facing shopkeepers."

She recommends the trainee programme to graduates who have not yet decided on the future direction of their professional careers. "The foodvenience business is very challenging and fast-paced and therefore extremely interesting. The chance of being offered a permanent position at the end of the programme is also a big advantage."

FAIR PARTNERSHIPS

In order to remain aware of the needs of its customers as well as its franchise and agency partners, Valora maintains a culture of open communication and collaborative partnership with the latter. At the same time Valora allows them room for entrepreneurial initiative. Because those who can act independently are committed, motivated and develop their own ideas. The independent entrepreneurs can also rely on Valora as a partner who offers them top locations and supports them with training, know-how and operational advice.

By now, around 80% of sales outlets are operated by franchisees and agency partners. The agency partner model is more common in Switzerland, while the franchise model is preferred in Germany. Valora's agency model in particular offers its partners entrepreneurial freedom at a containable risk. For example, k kiosk agency partners in Switzerland are trained for three months as employees of Valora, after which they become independent and receive commission on their sales. Valora is responsible for the rent, goods and equipment.

A partnership can only be successful in the long term if Valora and the partner benefit equally from the arrangement. Valora Retail Switzerland, Brezelkönig, Ditsch and BackWerk therefore regularly carry out satisfaction surveys among their partners. At the end of 2017, the Swiss partners particularly commended Valora's friendliness, but identified room for improvement as regards information policy and availability.

Difference between agency and franchise models

Both franchisees and agency partners are independent entrepreneurs who participate in the success of their business. The biggest difference between the two concepts lies in the fact that franchisees sell the goods in their own name and for their own account and pay a franchise licence fee to Valora. Agency partners on the other hand sell the goods in the name and for the account of Valora and receive an agency commission on their turnover, which they use to pay their staff, among other things.

Number of sales outlets

| | 2018 | 2017 |
|----------------------------------|--------------|--------------|
| Total | 2 761 | 2 793 |
| of which agencies | 1 136 | 1 031 |
| of which franchisees | 850 | 872 |
| of which own outlets | 763 | 851 |
| Additional sales outlet partners | 12 | 39 |

Sustainability Report

PLANET – WE WANT TO BE A CONVENIENCE BUSINESS THAT DOESN'T COST THE EARTH

Climate change and limited resources are some of the biggest challenges of our times. Valora strives to limit its impact on the planet by minimising the environmental damage caused by economic activity. Valora will therefore reduce the company's impact on the environment and its ecological footprint. In this context, Valora wishes to focus on the following topics:

- Waste
- Sustainable packaging
- Energy

WASTE

Individually packaged products, own production output and fresh products cause general and food waste. Both cost resources, energy and money. Valora's aim is therefore to substantially reduce its waste and to implement a closed-loop system promoting the reduction, reuse and recycling of raw materials. In the long term, Valora endeavours to use its waste to develop reverse material flows. To reduce waste, Valora has been charging between 5 and 30 cents for plastic and paper bags at all its Swiss outlets since 1 November 2018. Valora will donate the proceeds to a good cause once a year. Based on the earnings since 1 November 2018, Valora expects these proceeds to be in the high five-digit range. The retail sales outlets in Germany and Austria also charge 20 to 25 cents per plastic bag.

To reduce food waste, Caffè Spettacolo has been working with Too Good To Go since November 2018, with four outlets offering meals shortly before closing time at lower prices via the Too Good To Go app. This programme was rolled out to all Caffè Spettacolo locations at the beginning of 2019. Brezelkönig and avec will launch their own additional pilot projects.

SUSTAINABLE PACKAGING

Convenience products require elaborate packaging: from wrapped sandwiches to coffee sold in cups and bottles for beverages. Packaging is also used for the own production output, albeit to a lesser extent than in the sales segments. With sustainable packaging, Valora and its suppliers can protect the environment, reduce the costs of waste disposal and improve the customer experience.

Valora can exert considerable influence on the packaging used for its own brands. In 2018, for example, Valora introduced a deposit system for the ok.–energy drink range in Germany. The cans are now part of a recycling system and are reused.

In general, Valora aims to use as little plastic and other non-degradable materials as possible in its production processes. It tries to manufacture its products in the most environmentally benign way possible. Naturally, the packaging still has to protect the product as required.

For fresh products, such as coffee or pizzas, Valora exerts its influence on the local packaging. Valora promotes reusable solutions, certified materials and organic materials in order to reduce plastic waste. Several Valora units promote the use of reusable cups (as opposed to disposable cups). There are also more environmentally-friendly alternatives to disposable cups.

Waste volume in tonnes*

| | 2018 | | 2017 | |
|---------------------------------------|-------|------|-------|------|
| Total | 6 879 | | 6 918 | |
| of which recyclable (carton and film) | 406 | 6 % | 408 | 6 % |
| of which organic | 5 768 | 84 % | 5 791 | 84 % |
| of which residual waste | 705 | 10 % | 718 | 10 % |

* For the four production locations of the Valora Group in Mainz, Oranienbaum, Emmenbrücke and Cincinnatti, without the waste generated by the supply chain.

In 2018, Ditsch switched from double-walled to single-walled coffee cups, thereby reducing its material consumption by 40%. A PEFC label also guarantees that the material was obtained from sustainable forestry exploitation.

Brezelkönig changed to sustainable material for its drink stirrers (bamboo) and completely eliminated the use of straws.

Caffè Spettacolo is planning to find a future replacement for plastic lids. This year, Ditsch will investigate how to further improve the bags used for baked goods. Ditsch's production team is also optimising its use of paper and its share of recycling.

ServiceStore DB is expanding the concept of reusable cups to reusable bread boxes. Progressive data capture will make it possible in future to measure the overall effect of all these measures.

Reusable instead of disposable cups

Disposable cups represent enormous resource consumption. All Valora formats therefore also fill up reusable cups. At Brezelkönig, Ditsch, ServiceStore DB, Caffè Spettacolo and the participating franchise partners of BackWerk guests who bring their own reusable cup either receive a free upgrade to a "grande" coffee or a discount. Various Valora formats sell reusable cups. The around 150 cigo, k kiosk and Press & Books branches in Germany offer a particularly eco-friendly cup made from sustainable bamboo fibre, corn kernel powder and melamine resin. Valora is planning to expand sales of its own reusable cups in 2019.

ENERGY

The use of fossil fuels is the main cause of climate change. Energy consumption is therefore a relevant cost factor, in particular at our production locations.

Valora is working on improving its energy efficiency in production as well as at its sales outlets and administration. Valora is also making increasing use of renewable energies. During renovations done in Switzerland, conventional lights are replaced by LED lights whenever possible, time switch clocks are installed where it makes sense to do so, and air conditioners using old-fashioned coolants are replaced.

In 2018, energy consumption at the production plants rose by 2.8% compared to 2017, which reflects the increase in production volume. Total energy consumption was 38,609 MWh. Of this, 76% was electricity and 24% gas.

*Energy consumption in thousand MWh**

| | 2018 | | 2017 | |
|----------------------|--------|------|--------|------|
| Total | 38 609 | | 37 548 | |
| of which electricity | 29 353 | 76 % | 28 463 | 76 % |
| of which gas | 9 247 | 24 % | 9 076 | 24 % |
| of which heating oil | 8 | 0 % | 8 | 0 % |

*For the four production locations of the Valora Group in Mainz, Oranienbaum, Emmenbrücke and Cincinnatti.

Sustainability Report

PRODUCTS — WE WANT TO MAKE AND SELL MORE HEALTHY AND SUSTAINABLE FOOD

Valora's comprehensive and steadily growing range of convenience and food products should brighten up our customers' day. To achieve this, Valora must offer healthy and sustainable food, among other things. In this regard, the focus falls on the following topics:

- Local procurement
- Fair trade and labels
- Animal welfare
- Better-for-you products
- Product design

LOCAL PROCUREMENT

Local products reduce transports costs and thus emissions. Shorter routes save time and keep the products really fresh. According to a study carried out by the University of St. Gallen, customers have also noticed this and 80% of them react positively to regional products. Valora is therefore expanding its range of local products, taking care to offer authentic products of high quality.

Since 2018, Valora has used the "Von hier. Regional für dich." (From here. Regional for you.) label to identify products obtained from selected regional suppliers. With this initiative, Valora launched the first convenience label for regional products in Switzerland. It supports smaller businesses and reduces the environmental impact with shorter transport routes. Compliance with these requirements is checked by the independent certification company ProCert. The criteria include, for example, that at least 80% of the ingredients and 66% of the value added for composite products have to be regional. From its introduction until the end of the year, a total of 127 regional products were included in the product catalogue in cooperation with 19 regional suppliers.



Regional products from avec

An example of a regional product carrying Valora's "From here. Regional for you" convenience label is "Echti Churer Milch" from Plankis. The Plankis Foundation founded in 1845 with a legacy from Johann Peter Hosang provides assisted living facilities and protected jobs and study places to people with disabilities. On the farm estate, 20 people have a secure job in agriculture and the farm's own Alpine dairy, which processes the milk produced by 60 cows and 100 dairy goats.

The regional products will be rolled out further in 2019 so that almost all avec sales outlets will offer regional products under the new label by the end of 2019. During this roll-out phase, regional products should reach a share of 1% of sales of "fresh" products.

FAIR TRADE AND LABELS

The production chain for the products offered by Valora has a particularly strong impact on sustainability: from the production of raw materials to processing, the environmental impact and affected jobs are spread over many upstream levels of the value chain. Valora's Code of Conduct for Business Partners sets out social and environmental standards for its suppliers. Valora ensures compliance with other sustainability aspects by using fair trade and eco labels.

The Caffè Spettacolo coffee beans, which are also sold by ServiceStore DB, U-Store, kiosk, avec and Press & Books, are certified to be fair trade. Ditsch will switch to this coffee in spring 2019. BackWerk serves organically certified ice tea.

When choosing the products to be offered for sale, Valora increasingly pays attention to the sustainability of the ingredients and prefers to use suppliers who meet high environmental standards. Palm oil, for example, is an ingredient with a massive environmental footprint. Brezelkönig and BackWerk therefore do not use any palm oil at all in their products, while Caffè Spettacolo only uses it in vegan products. Ditsch has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2015 and only procures palm oil under the "segregated" model. This means that certified palm oil is never mixed with conventional palm oil.

Valora is planning to continuously increase the share of products certified to be sustainable in its range.

Sustainability Report

ANIMAL WELFARE

Valora's customers attach great importance to animal welfare. Livestock farming, transport and slaughter are only a few aspects that play a role here.

Pretzels, one of Valora's main products, do not contain any animal-derived ingredients. Lye pretzels are vegan by nature. The Valora Group has decided to offer products exclusively with barn-laid or free-range eggs in the future. This applies to the sale of eggs themselves as well as to products containing eggs. All products should meet this standard by 2020 at the latest. Valora has entered into an agreement to this effect with the animal rights organisation The Humane League, which applies to all Valora's business units and for all countries in which Valora operates.

Valora is planning to pay even more attention to animal welfare for products containing animal-derived ingredients. Among others, Valora intends to offer alternatives to products containing animal protein in the future.

BETTER-FOR-YOU PRODUCTS

The greatest happiness is fleeting if it harms your health. Valora's customers are increasingly paying attention to their health. Valora meets this need with "better-for-you" products in the convenience segment. The legal requirements set the minimum standard, in particular with regard to compliance with the Foodstuffs Act and a certified quality management system.

In the tobacco segment, alternatives to traditional tobacco products are offered which expose customers to fewer harmful substances. According to the current state of knowledge, e-cigarettes are less harmful than tobacco cigarettes. Valora has been selling e-cigarettes, nicotine-containing liquids and what is known as "heat not burn" products since 2014.

Youth protection is a central concern for tobacco products. Since 1 January 2019, Valora has been applying a voluntary minimum age of 18 to the sale of tobacco products in Switzerland. When nicotine-containing liquids were launched in Switzerland in spring 2018, Valora already applied this age limit to e-cigarettes. Since 1 October 2018, it has repeatedly underlined this commitment by signing the code governing the marketing of electronic vaping devices and liquids. In Germany, nicotine-containing e-smoking products may only be sold legally to consumers aged 18 and over. Valora ensures that youth protection is upheld in practice with regular training courses, technical support for sales staff and mystery shopping spot checks.

Valora plans to pay more consideration to healthier products when drawing up plans for its sales outlets in future.

PRODUCT DESIGN

The greatest leverage for determining the sustainability of a product is found right at the beginning of the product development process. The design can influence the raw materials, packaging, shelf life and many other aspects of a product, and therefore has a huge impact on the product's social and ecological footprint. The following dimensions therefore have to be considered when designing a product:

- Convenience
- High quality
- Health
- Sustainability and local procurement
- Price and value for money

Valora is convinced that it is possible to optimally combine these dimensions. Customers should not have to accept any compromises. Valora will therefore focus on these five dimensions in future and integrate the principle of product design even more strongly into its development process.



BackWerk's range of vegan products

The PETA animal welfare organisation honoured Valora's subsidiary BackWerk with the Progress AWARD in 2016. BackWerk received this award for offering the most animal-friendly product range in a self-service bakery. The range of vegan products was expanded even further in 2018, which was notified to its members by PETA. The "Florida summer sandwich" is served with red lentil cream, onion, arugula and paprika. The "Wellness sandwich" is spread with hummus, avocado and dried tomato. Old favourites are also still on the menu, including a vegan chia sandwich, an avocado bagel and a melon cup.

Sustainability Report

OUTLOOK

Valora has many plans with regard to sustainability for 2019. The strategy will be developed further in cooperation with all business units. During the next step, the material topics will be defined, taking account of Valora's impact and the expectations of its stakeholders. The contributions that Valora can and should make will then be identified together with the business units. The strategy will define objectives for the different topics and will be reliant on the broad-based collection of data.

ABOUT THIS REPORT

Reporting period:

1 January to 31 December 2018

Reporting cycle:

Annually as part of the Annual Report

Contact person:

Christina Wahlstrand

+41 61 467 24 53

media@valora.com

Reporting standard:

Based on the GRI standards.

GRI compliance is planned

for subsequent reports.